

Prospectus of Arabian Internet and Communications Services Co.



A closed Saudi joint stock company pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) and registered in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G)

Offering of twenty-four million (24,000,000) ordinary shares, representing 20% of the capital of Arabian Internet and Communications Services Co, for public subscription at an Offer Price of (SAR 151) per share

Offering Period: Three (3) days commencing on Sunday, 12/02/1443H (corresponding to 19/09/2021G) and ending on Tuesday, 14/02/1443H (corresponding to 21/09/2021G)

Arabian Internet and Communications Services Co. (the "Company" or "the Issuer") is a closed Saudi joint stock company converted from a limited liability company to a closed joint stock company pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) and registered under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G), and its registered address is P.O. Box 50, Riyadh, 11372, Kingdom of Saudi Arabia (the "Kingdom").

The Company was established on 08/11/1423H (corresponding to 11/01/2003G) as a limited liability company with a fully paid-up capital of ten million Saudi riyals (SAR 10,000,000), divided into ten thousand (10,000) equal cash shares with a fully paid nominal value of one thousand Saudi riyals (SAR 1,000) per share. The Company was registered in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G). Since inception, the Company's capital has been increased several times. The capital was first increased, by virtue of a partners' resolution amending the Company's Memorandum of Association on 14/04/1432H (corresponding to 19/03/2011G), from ten million Saudi riyals (SAR 10,000,000) to one hundred million Saudi riyals (SAR 100,000,000), divided into ten million (10,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of ninety million Saudi riyals (SAR 90,000,000) was covered through the current account of the partners. By virtue of a partners' resolution amending the Company's Memorandum of Association on 01/04/1442H (corresponding to 16/11/2020G), the Company's capital was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) was covered through capitalization of the retained earnings. On 16/05/1442H (corresponding to 31/12/2020G), the Company was converted from a limited liability company to a closed joint stock company with a fully paid-up capital of one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share, pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) (for further details about the Company's history, please refer to Section 4.2 "Corporate History and Evolution of Capital" of this Prospectus).

As at the date of this Prospectus, the Company's capital amounts to one billion, two hundred million Saudi riyals (1,200,000,000) fully paid up, divided into one hundred twenty million (120,000,000) ordinary shares with a fully-paid nominal value of ten Saudi riyals (SAR 10) per share.

The initial public offering (the "Offering") consists of twenty-four million (24,000,000) ordinary shares (collectively, the "Offer Shares" and each an "Offer Share") at an Offer Price of (SAR 151) per share, with a nominal value of ten Saudi riyals (SAR 10) per share ("Offer Price"). The Offer Shares represent 20% of the Company's capital.

The Offering shall be restricted to the following two groups of investors ("Investors"), as follows:

Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) (the "Book Building Instructions") issued by the Capital Market Authority ("CMA") Board pursuant to Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G) (collectively the "Participating Parties") (for further details, please refer to Section 1 "Definitions and Abbreviations" of this Prospectus). The number of Offer Shares to be initially allocated to Participating Parties is twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. Final allocation of the Offer Shares will be made after the end of the subscription period for Individual Investors. In the event that Individual Investors (as defined in Tranche B below) subscribe for the Offer Shares allocated thereto, the Lead Managers shall have the right to reduce the number of shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Offer Shares, representing 90% of the total Offer Shares.

Tranche (B): Individual Investors: this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural persons, provided they have a bank account with one of the Receiving Entities and are allowed to open an investment account (collectively, the "Individual Investors" and each an "Individual Investor," and together with Participating Parties "Subscribers"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription

is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million, four hundred thousand (2,400,000) Offer Shares, representing 10% of the total Offer Shares, will be allocated to Individual Investors, provided that Participating Parties subscribe to all the Offer Shares allocated thereto. In the event that Individual Investors subscribe for all the Offer Shares allocated thereto, the Lead Managers shall have the right to reduce the number of shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

Prior to the Offering, both Saudi Telecom Company (stc) and Telecom Commercial Investment Company Limited (the "Selling Shareholders") own all the shares of the Company. The Selling Shareholders will sell the Offer Shares in accordance with Table 5.1 "Ownership Structure of the Company Pre-and Post-Offering" of this Prospectus and listed on page 80 of this Prospectus. Upon completion of the Offering, Saudi Telecom Company ("stc") will own 79% of the shares, and accordingly will retain a controlling interest in the Company. The Offering proceeds, less the Offering expenses, ("Net Proceeds") will be distributed to the Selling Shareholders. The Company will not receive any part of the Net Proceeds (for further details about Offering proceeds, please refer to Section 8 "Use of Offering Proceeds" of this Prospectus). The Offering is fully underwritten by the Underwriters (for further details about underwriting, please refer to Section 13 "Underwriting" of this Prospectus). stc may not dispose of its shares for a period of six (6) months ("Lock-up Period") as of the date trading starts on the Saudi Stock Exchange ("Tadawul" or the "Exchange"), as set out on page (xi) of this Prospectus. The Company has one substantial shareholder (who holds 5% or more of its shares), which is stc. Table (1-2) "The Substantial Shareholder, Number of Shares and Ownership Percentage Pre-and Post-Offering" of this Prospectus sets out the ownership percentage of the Company's substantial shareholder.

The Offering Period for Individual Investors will commence on Sunday, 12/02/1443H (corresponding to 19/09/2021G), and continue for a period of three (3) days up to and including the closing day on Tuesday, 14/02/1443H (corresponding to 21/09/2021G) (the "Offering Period"). Individual Investors may submit applications to subscribe for the Offer Shares during the Offering Period at certain branches of the Receiving Entities, or through the internet, telephone banking or ATMs of the Receiving Entities listed on page (vii) of this Prospectus (the "Receiving Entities") that provide all or some of these services to their customers (for further details, please refer to Section 17.3.2 "Subscription by Individual Investors" of this Prospectus). Participating Parties can bid for the Offer Shares through the Book-runners during the book building process, which takes place prior to the offering of the Shares to Individual Investors (for further details see Section 17.3.1 "Book Building for Participating Parties" of this Prospectus).

Each Individual Investor who subscribes for the Offer Shares must apply for no less than ten (10) Offer Shares and no more than six hundred thousand (600,000) Offer Shares. The minimum allocation per Individual Investor is ten (10) Offer Shares, and the remaining Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds two hundred forty thousand (240,000) Individual Investors, the allocation shall be made according to the instructions of the Company and the Lead Managers. Excess subscription amounts (if any) will be refunded to the Subscribers without any charge or withholding by the related Receiving Entities. Notification of the final allocation will be made on or before 20/02/1443H (corresponding to 27/09/2021G) and the refund of excess subscription amounts (if any) will be issued on or before 22/02/1443H (corresponding to 29/09/2021G) (for further details, see the Section "Key Dates and Subscription Procedures" on Page (xii) and Section 17 "Subscription Terms and Conditions" of this Prospectus).

The Company has one class of ordinary shares. None of the shares carry any preferential voting rights. Each share entitles its holder to one vote and each Shareholder (collectively the "Shareholders", and each a "Shareholder") has the right to attend and vote at the meetings of the Ordinary and Extraordinary General Assembly of Shareholders (the "General Assembly"). The Offer Shares will be entitled to dividends declared by the Company as of the date of this Prospectus ("Prospectus") and subsequent financial years (for further details about Dividend Distribution Policy, please refer to Section 7 "Dividend Distribution Policy" of this Prospectus).

Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of shares, and an application to the Saudi Stock Exchange (Tadawul) for the listing of such shares. All requirements have been met; all required documents have been submitted to the relevant authorities, and all approvals pertaining to the Offering have been obtained, including this Prospectus. Trading of the shares on the Exchange is expected to commence upon completion of final allocation, with all relevant regulatory requirements being met (for further details, see the Section "Key Dates and Subscription Procedures" on page (xii) of this Prospectus). Following the start of trading on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in Saudi Arabia, Saudi and Gulf companies, banks, and mutual funds as well as GCC nationals will be permitted to trade in the Offer Shares. Qualified Foreign Investors (a "QFI") will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (all as defined in Section 1 "Definitions and Abbreviations" of this Prospectus). Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom ("Foreign Investors") are also entitled to acquire economic benefits in the shares by entering into swap agreements with a Capital Market Institution licensed by the CMA ("Capital Market Institutions" and each a "Capital Market Institution") to buy and trade in shares listed on the Exchange for the benefit of foreign investors. Under such swap agreements, the Capital Market Institutions will be the registered legal owner of the shares.

Subscription to the Offer Shares involves risks and uncertainties, and persons who wish to subscribe for the Offer Shares must read and consider the Section "Important Notice" on page (i) and Section 2 "Risk Factors" of this Prospectus prior to making a decision to invest in the Offer Shares.

Financial Advisors, Book-runners and Underwriters



Morgan Stanley

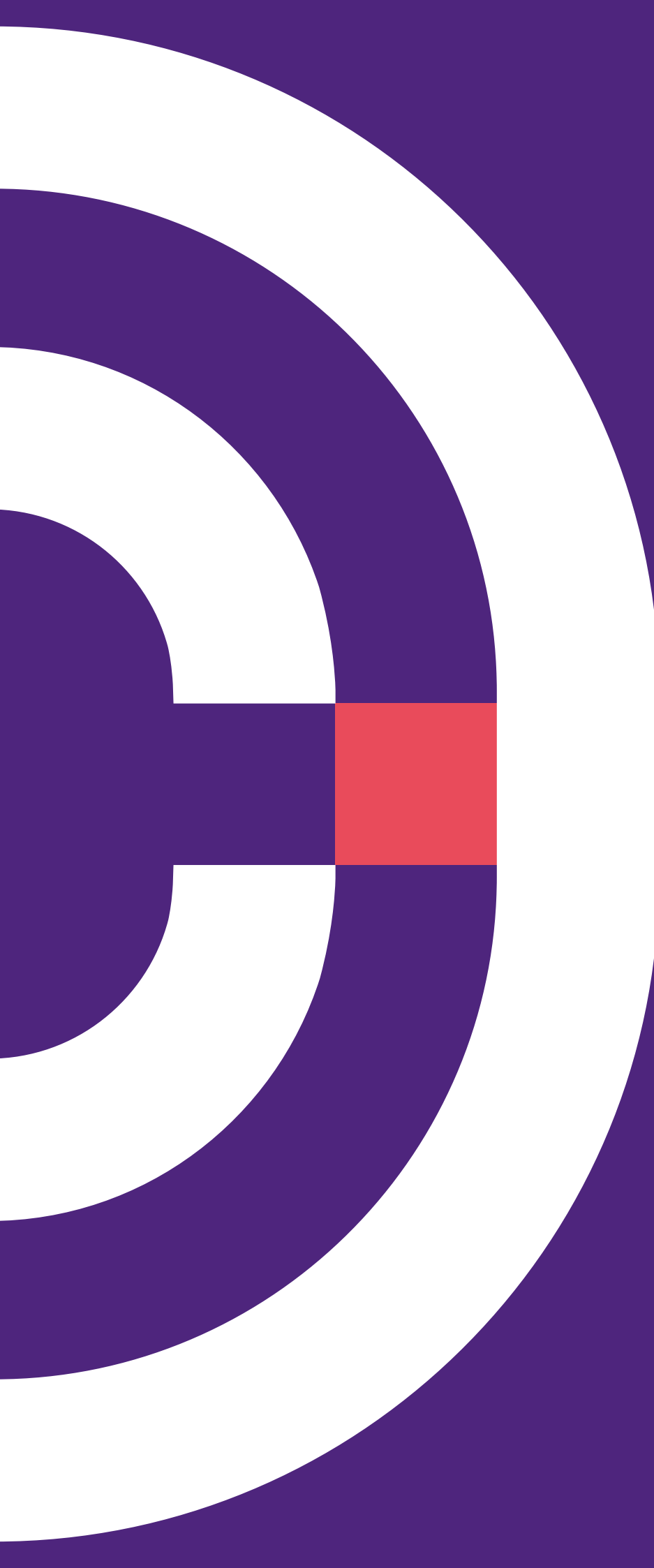


Lead Manager

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority (the "CMA") and the application for listing of securities in compliance with the Listing Rules of Tadawul. The Directors, whose names appear on Page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 18/11/1442H (corresponding to 28/06/2021G)





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 **solutions**
by stc

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, Participating Parties and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available by visiting the websites of the Company (www.solutions.com.sa), the CMA (www.cma.org.sa), or the Financial Advisors, namely HSBC Saudi Arabia (www.hsbcSaudi.com), SNB Capital (www.alahlicapital.com), and Morgan Stanley Saudi Arabia (www.morganstanleysaudiArabia.com).

HSBC Saudi Arabia, SNB Capital, and Morgan Stanley Saudi Arabia have been appointed by the Company as financial advisors ("**Financial Advisors**"), Book-runners ("**Book-runners**"), and underwriters ("**Underwriters**") in relation to the Offer shares described herein. HSBC Saudi Arabia has also been appointed by the Company as the lead manager ("**Lead Manager**") with respect to the Offering.

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors, whose names appear on page [iii], collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable studies and inquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the information herein regarding the market and industry in which the Company operates have been derived from external sources. While neither the Company nor any of the Directors, Selling Shareholders, or Advisors, whose names appear on Pages (v) and (vi) of this Prospectus, have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as at the date hereof, is subject to change. In particular, the financial condition of the Company and the value of shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (for further details, please refer to Section 2 "**Risk Factors**" of this Prospectus). Neither this Prospectus nor any verbal, written or printed communication in connection with the Offer Shares shall be considered, relied upon in any way, or construed as a promise, confirmation or representation regarding future earnings, results, or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Selling Shareholders, or the Advisors to subscribe to the Offer Shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives or the financial situation or particular investment needs of those who wish to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering to assess the appropriateness of the investment opportunity and the information contained herein with regard to their individual objectives, financial situation and needs. An investment in the Offer Shares may be appropriate for some investors but not others. Prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity or their individual circumstances.

Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:

Tranche (A) Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Book Building Instructions (for further details, please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus).

Tranche (B) Individual Investors: this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural persons, provided they have a bank account with one of the Receiving Entities and are entitled to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus or the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited, except for Participating Parties entitled to participate in the book building process as specified under the Book Building Instructions, taking into account the applicable laws and instructions. The Company, the Selling Shareholders, and the Financial Advisors ask the recipients of this Prospectus to observe any regulatory restrictions on the offering and sale of the Offer Shares.

Market and Industry Information

The information and data in Section 3 “**Market and Industry Information**” of this Prospectus, relating to the market and the industry in which the Company operates, were obtained from the market study report prepared on 14/02/1442H (corresponding to 01/10/2020G) by the Market Consultant, Arthur D. Little Saudi Arabia (“**Market Consultant**”).

Arthur D. Little Saudi Arabia, a subsidiary of Arthur D. Little Group, is an independent firm providing strategic market research services, with a wide range of customers. It was founded in 1886G and its head office is in Brussels, Belgium.

The Directors believe that the information and data herein that was obtained from other sources, including the market study report prepared by the Market Consultant, are reliable. However, this information has not been independently verified by the Company, its Directors, Advisors (except for the Market Consultant) or the Selling Shareholders, and therefore they cannot provide any representation or assurance regarding its accuracy, validity or completeness.

Neither the Market Consultant, nor any of its shareholders, directors or relatives thereof hold any shareholding or any interest of any kind in the Company or any of its affiliates. The Market Consultant has given and not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and form set out in this Prospectus.

Financial Information

The Company’s audited consolidated financial statements for the financial years ended 2018G, 2019G and 2020G, and notes thereto, have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and publications that are endorsed by SOCPA (“**IFRS-KSA**”) and audited by Ernst & Young & Co. (Certified Public Accountants) (the “**Auditor**”). These financial statements have been included in Section 19 “**Financial Statements and Auditor’s Report**” of this Prospectus. The Company publishes its financial statements in Saudi riyals.

Some financial and statistical information contained in this Prospectus has been rounded off to the nearest integer; therefore, if figures contained in the tables are added up, there may be a slight difference between the numbers stated in the audited consolidated financial statements compared to those stated in this Prospectus.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions relating to the Company’s information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company, to its knowledge, confirms that the statements contained in this Prospectus are based on due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, “forward-looking statements.” Such statements can generally be identified by their use of forward-looking words such as “plans,” “determines,” “intends,” “estimates,” “expect,” “is expected,” “may,” “possibly,” “will,” “would be” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to Section 2 “**Risk Factors**” of this Prospectus). Should one or more of these factors materialize, or any forecasts or assumptions prove to be incorrect or inaccurate, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus if, at any time after the date of publication of this Prospectus and prior to completion of the Offering, the Company becomes aware that: (a) there has been a significant change in material matters mentioned in this Prospectus, or (b) any significant issues have arisen that should have been included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain terms and abbreviations included in this Prospectus, please refer to Section 1 “**Definitions and Abbreviations**” of this Prospectus.

Corporate Directory

Directors

Table (1-1): The Company's Board of Directors

No.	Name	Title	Nationality	Age	Status	Direct Ownership (%)		Indirect Ownership (%)**		Date of Appointment*
						Pre-Of-fering	Post-Of-fering	Pre-Of-fering	Post-Of-fering	
1	Riyadh Saeed Sadeq Muawad	Chairman	Saudi	39 years	Non-executive / Non-independent	-	-	0.000145%	0.000114%	07/05/1442H (corresponding to 22/12/2020G)
2	Haithem Mohammed Mujil AlFaraj	Vice Chairman	Saudi	43 years	Non-executive/ Non-independent	-	-	0.000173%	0.000137%	07/05/1442H (corresponding to 22/12/2020G)
3	Emad Oudah Abdullah AlOudah	Director	Saudi	50 years	Non-executive/ Non-independent	-	-	0.000094%	0.000074%	07/05/1442H (corresponding to 22/12/2020G)
4	Omar Abdulaziz Nasser AlShabibi	Director	Saudi	46 years	Non-executive/ Non-independent	-	-	0.000050%	0.000040%	07/05/1442H (corresponding to 22/12/2020G)
5	Mathad Faisal Mathad AlAjmi	Director	Saudi	41 years	Non-executive/ Non-independent	-	-	0.000521%	0.000412%	07/05/1442H (corresponding to 22/12/2020G)
6	Mohammed Abdullah Hassan AlAbbadi	Director	Saudi	43 years	Non-executive/ Non-independent	-	-	0.000086%	0.000068%	07/05/1442H (corresponding to 22/12/2020G)
7	Mohammed Abdullah Mohammed Al-Asiri	Director	Saudi	55 years	Non-executive / Independent	-	-	-	-	07/05/1442H (corresponding to 22/12/2020G)
8	Abdullatif Ali Abdullatif Al-Saif	Director	Saudi	42 years	Non-executive/ Independent	-	-	-	-	07/05/1442H (corresponding to 22/12/2020G)
9	Fahad Suleiman Mohammed AlAmoud	Director	Saudi	46 years	Non-executive / Independent	-	-	-	-	07/05/1442H (corresponding to 22/12/2020G)

* Dates listed in this table are the dates the Directors were appointed to the current session. The biographies of the Directors state the dates the Directors were appointed to the Board or any other position (for further details, please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus).

** The Directors' indirect ownership resulted from the following: Riyadh Saeed Sadeq Muawad owns 2,890 shares, representing 0.000145% of the shares of Saudi Telecom Company, the substantial shareholder; Haithem Mohammed Mujil AlFaraj owns 3,468 shares, representing 0.000173% of the shares of Saudi Telecom Company, the substantial shareholder; Emad Oudah Abdullah AlOudah owns 1,875 shares, representing 0.000094% of the shares of Saudi Telecom Company, the substantial shareholder; Omar Abdulaziz Nasser AlShabibi owns 1,002 shares, representing 0.000050% of the shares of Saudi Telecom Company, the substantial shareholder; Mathad Faisal Mathad AlAjmi owns 10,421 shares, representing 0.000521% of the shares of Saudi Telecom Company, the substantial shareholder; and Mohammed Abdullah Hassan AlAbbadi owns 1,719 shares, representing 0.000086% of the shares of Saudi Telecom Company, the substantial shareholder.

Source: The Company

Company's Address, Representatives and Board Secretary

The Company's Address

Arabian Internet and Communications Services Co.

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P.O. Box 50
Riyadh 11372
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Company's Representatives

Abdullatif Ali Abdullatif Al-Saif

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Abdulrahman Hamad Mohammed AlRubai

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Board Secretary

Firas Abdullah Suleiman Al-Dossary

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The Exchange

Saudi Tadawul Group (Saudi Exchange)

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Depository Center

Securities Depository Center Company (Edaa)

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من مجموعة تداول السعودية
From Saudi Tadawul Group

Advisors

Financial Advisors, Book-runners and Underwriters

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Morgan Stanley

Lead Manager

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Legal Advisor to the Company

Law Office of Salman M. Al-Sudairi

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THE LAW OFFICE OF SALMAN M.AL-SUDAIRI

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Fax: +966 11 2110101
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Email: mer_project_premier@pwc.com

**Auditor****Ernst & Young & Co. (Certified Public Accountants)**

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**Market Consultant****Arthur D. Little Saudi Arabia**

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Email: gm_ksa@adlittle.com

**Note:**

The above Advisors and Auditor have given and not withdrawn their written consent to the publication of their names, addresses and logos in this Prospectus and to the publication of their statements in the form and content appearing herein. Moreover, they do not themselves, nor any of their subsidiaries, shareholders, directors (or their employees forming part of the team serving the Company), or any of their relatives, have any shareholding or interest of any kind in the Company or the Subsidiary as of the date of this Prospectus which would impair their independence.

Receiving Entities

Saudi British Bank (SABB)

Prince Abdulaziz Ibn Musaid Ibn Jalawi Street
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (11) 440 8440
Fax: +966 (11) 276 3414
Website: www.sabb.com
Email: sabb@sabb.com

SABB  ساب

Saudi National Bank (SNB)

King Fahd Road, Al Aqiq District, King Abdullah Financial District
P.O. Box 3208, Unit 778
Riyadh 13519-6676
Kingdom of Saudi Arabia
Tel: +966 92000 1000
Website: www.alahli.com
Email: contactus@alahli.com



Al Rajhi Bank

King Fahd Road, AlMurooj District, Al Rajhi Bank Tower
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 828 2515
Fax: +966 (11) 279 8190
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Al Rajhi Bank مصرف الراجحي 

Riyad Bank

Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (11) 412 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

بنك الرياض
riyad bank

Alinma Bank

King Fahd Road, Al Anoud Tower
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia
Tel: +966 (11) 218 5555
Fax: +966 (11) 218 5000
Website: www.alinma.com
Email: info@alinma.com

مصرف الإنماء
alinma bank 

Bank Albilad

8229 Al Mutamarat
Riyadh 12711-3952
Kingdom of Saudi Arabia
Tel: +966 (11) 479 8888
Fax: +966 (11) 291 5101
Website: www.bankalbilad.com
Email: customercare@bankalbilad.com

بنك البلاد
Bank Albilad 

Offering Summary

This Offering Summary is intended to provide a brief overview of the information detailed in this Prospectus. This summary does not include all information that may be important to prospective investors and that must be taken into consideration before deciding to invest in the Offer Shares. Therefore, those wishing to subscribe to the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, the Section “**Important Notice**” on page (i) and Section 2 “**Risk Factors**” of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

<p>Company Name, Description and Establishment</p>	<p>Arabian Internet and Communications Services Co. is a closed Saudi joint stock company converted from a limited liability company to a closed joint stock company pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) and registered under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G), and its registered address is P.O. Box 50, Riyadh, 11372, Kingdom of Saudi Arabia.</p> <p>The Company was originally established on 08/11/1423H (corresponding to 11/01/2003G) as a limited liability company with a fully paid-up capital of ten million Saudi riyals (SAR 10,000,000), divided into ten thousand (10,000) equal cash shares with a fully paid nominal value of one thousand Saudi riyals (SAR 1,000) per share. The Company was registered in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G). Since inception, the Company's capital has been increased several times. The capital was first increased, by virtue of a partners' resolution amending the Company's Memorandum of Association on 14/04/1432H (corresponding to 19/03/2011G), from ten million Saudi riyals (SAR 10,000,000) to one hundred million Saudi riyals (SAR 100,000,000), divided into ten million (10,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of ninety million Saudi riyals (SAR 90,000,000) was covered through the current account of the partners. By virtue of a partners' resolution amending the Company's Memorandum of Association on 01/04/1442H (corresponding to 16/11/2020G), the Company's capital was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) was covered through capitalization of the retained earnings. On 16/05/1442H (corresponding to 31/12/2020G), the Company was converted from a limited liability company to a closed joint stock company with a fully paid-up capital of one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share, pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) (for further details about the Company's history, please refer to Section 4.2 “Corporate History and Evolution of Capital” of this Prospectus).</p>
<p>Company Activities</p>	<p>In accordance with the Company's Bylaws, the Company's activities comprise the following:</p> <ol style="list-style-type: none">1- Information and communication.2- Other service activities.3- Telecommunication wiring.4- Internet, computer and telecommunication networking wiring.5- Installation and maintenance of security devices.6- Provision of upper management consulting services.7- Construction. <p>The Company's activities, according to its commercial registration, include:</p> <ol style="list-style-type: none">1- Telecommunication wiring.2- Networking wiring.3- Computer and telecommunication networking wiring.4- Installation and maintenance of security devices.5- Provision of upper management consulting services.

	<p>The Company has one substantial shareholder, stc, which directly or indirectly owns 5% or more of the Company's shares. The following table shows the number of shares of stc and its ownership percentage in the Company pre-and post-Offering:</p> <p>Table (1-2): The Substantial Shareholder, Number of Shares and Ownership Percentage Pre-and Post-Offering</p> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="3">Pre-Offering</th> <th colspan="3">Post-Offering</th> </tr> <tr> <th>No. of Shares</th> <th>Nominal Value (SAR)</th> <th>Percentage</th> <th>No. of Shares</th> <th>Nominal Value (SAR)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>stc*</td> <td>116,400,000</td> <td>1,164,000,000</td> <td>97%</td> <td>94,800,000</td> <td>948,000,000</td> <td>79%</td> </tr> <tr> <td>Total</td> <td>116,400,000</td> <td>1,164,000,000</td> <td>97%</td> <td>94,800,000</td> <td>948,000,000</td> <td>79%</td> </tr> </tbody> </table> <p>* Pre-Offering, stc owns 97% of the Company's shares directly and 100% of the Company's shares indirectly through its shareholding in Telecom Commercial Investment Company Limited, which owns 3% of the Company's shares Pre-Offering. Additionally, with the completion of the Offering, stc will sell one million, two hundred thousand (1,200,000) shares at the final Offer Price to the Company for use as part of the Company's Employee Share Scheme (for further details, please refer to Section 5.11 "Employee Shares" of this Prospectus).</p> <p>Source: The Company</p>	Shareholder	Pre-Offering			Post-Offering			No. of Shares	Nominal Value (SAR)	Percentage	No. of Shares	Nominal Value (SAR)	Percentage	stc*	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%	Total	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%
Shareholder	Pre-Offering			Post-Offering																								
	No. of Shares	Nominal Value (SAR)	Percentage	No. of Shares	Nominal Value (SAR)	Percentage																						
stc*	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%																						
Total	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%																						
Company's Capital	One billion, two hundred million Saudi riyals (SAR 1,200,000,000) fully paid.																											
Total Number of Company Shares	One hundred twenty million (120,000,000) fully paid ordinary shares.																											
Nominal Value per Share	Ten Saudi riyals (SAR 10) per share.																											
Offering	Offering of twenty-four million (24,000,000) ordinary shares, representing 20% of the Company's capital, for public subscription, at an Offer Price of (SAR 151) per share.																											
Total Number of Offer Shares	Twenty-four million (24,000,000) fully paid ordinary shares.																											
Percentage of the Offer Shares to the Company's Capital	The Offer Shares represent 20% of the Company's shares.																											
Offer Price	SAR 151.																											
Total Offering Value	SAR 3,624,000,000.																											
Use of Offering Proceeds	The Offering Proceeds amounting to (SAR 3,624,000,000) (after deducting all Offering costs and expenses estimated at SAR 63.3 million), will be paid to the Selling Shareholders. The Company will not receive any part of the Net Proceeds (for further details, please refer to Section 8 "Use of Offering Proceeds" of this Prospectus).																											
Number of Offer Shares Underwritten	Twenty-four million (24,000,000) ordinary shares.																											
Total Offering Value Underwritten	SAR 3,624,000,000.																											
Categories of Targeted Investors	<p>Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:</p> <p>Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Book Building Instructions (please refer to Section 1 "Definitions and Abbreviations" of this Prospectus).</p> <p>Tranche (B): Individual Investors: this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom and any GCC natural person, provided they have a bank account with one of the Receiving Entities and are entitled to open an investment account.</p>																											
Total Offer Shares Available for Each Category of Targeted Investors																												
Number of Offer Shares Available to Participating Parties	Twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event that Individual Investors subscribe for all Offer Shares allocated thereto, the Lead Managers shall have the right to reduce the number of shares allocated to Participating Parties to at least twenty one million, six hundred thousand (21,600,000) Offer Shares, representing 90% of the total Offer Shares.																											
Number of Offer Shares Available to Individual Investors	A maximum of two million, four hundred thousand (2,400,000) Offer Shares, representing 10% of the total Offer Shares.																											
Subscription Method for Each Category of Targeted Investors																												
Subscription Method for Participating Parties	Participating Parties may submit an application to participate in the book building process. The Lead Managers will make the Application Forms available to Participating Parties during the book building process. After the initial allocation, the Lead Managers will provide Subscription Forms to Participating Parties to whom shares have been allocated. The Participating Parties must complete these forms.																											

Subscription Method for Individual Investors	Subscription Application Forms will be available to Individual Investors during the Offering Period on the websites of the Receiving Entities offering this service in their branches. Subscription Forms must be completed in accordance with the instructions set out in Section 17 " Subscription Terms and Conditions " of this Prospectus and submitted to one of the branches of the Receiving Entities offering this service. Individual Investors can also subscribe through the internet, telephone banking, or the ATMs of Receiving Entities that offer any or all such services to its customers, provided that: (a) the Individual Investor has a bank account at a Receiving Entity which offers such services; and (b) there has been no changes in the Individual Investor's information since their subscription in a recent offering.
Minimum Number of Offer Shares to be Applied for by Each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	Fifty thousand (50,000) shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) shares.
Minimum Subscription Amount for Each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	SAR 7,550,000.
Minimum Subscription Amount for Individual Investors	SAR 1,510.
Maximum Number of Offer Shares to be Applied for by Each Category of Targeted Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	Five million, nine hundred ninety-nine thousand, nine hundred ninety-nine (5,999,999) shares.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Six hundred thousand (600,000) shares.
Maximum Subscription Amount for Each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	SAR 905,999,849.
Maximum Subscription Amount for Individual Investors	SAR 90,600,000.
Allocation of Offer Shares and Refund of Excess Subscription Amounts for Each Category of Targeted Investors	
Allocation Method for Participating Parties	The initial allocation of Offer Shares will be made, as the Lead Managers deem appropriate, in coordination with the Company, using the discretionary allocation mechanism. The Company and the Lead Managers may, at their discretion, not allocate shares to some Participating Parties. Final allocation of Offer Shares to Participating Parties shall be made through the Lead Manager upon completion of allocation of Offer Shares to Individual Investors. The number of Offer Shares to be initially allocated to Participating Parties is twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors, the Lead Managers shall have the right to reduce the number of shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Offer Shares, representing 90% of the total Offer Shares, upon completion of the allocation of Offer Shares to Individual Investors.
Allocation Method for Individual Investors	The Offer Shares are expected to be allocated on or before Monday, 20/02/1443H (corresponding to 27/09/2021G). The minimum allocation per Individual Investor is ten (10) shares, and the maximum allocation per Individual Investor is six hundred thousand (600,000) shares. The remaining Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds two hundred forty thousand (240,000), the Company will not guarantee the minimum allocation. In this case, the shares will be allocated according to the instructions of the Company and the Financial Advisors (for further details, please refer to Section 17 " Subscription Terms and Conditions " of this Prospectus).
Refund of Excess Subscription Amounts	Excess subscription amounts, if any, will be refunded to Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Form. Announcement of the final allocation will be made on or before Monday, 20/02/1443H (corresponding to 27/09/2021G), and refund of subscription amounts, if any, will be made on or before Wednesday, 22/02/1443H (corresponding to 29/09/2021G). (for further details, see Section 17 " Subscription Terms and Conditions " of this Prospectus).
Offering Period	The Offering Period will commence on Sunday, 12/02/1443H (corresponding to 19/09/2021G) and end on Tuesday, 14/02/1443H (corresponding to 21/09/2021G).
Entitlement to Dividends	The Offer Shares will be entitled to any dividends declared and paid by the Company as at the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 " Dividend Distribution Policy " of this Prospectus).

Voting Rights	The Company has one class of ordinary shares. None of the shares carry any preferential voting rights. Each share entitles its holder to one vote. Each Shareholder has the right to attend and vote in General Assembly meetings, and may delegate another Shareholder that is not a Director to attend General Assembly meetings and vote on its behalf (for further details about voting rights, please refer to Section 12.4 "Summary of the Company's Bylaws" of this Prospectus).
Restrictions on the Shares (Lock-up Period)	stc is subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange, and it may not dispose of its shares during this period. Following the Lock-up Period, it may dispose of its shares, without the prior approval of the CMA (for further details about the ownership percentage of stc, see Section 4.3 "Ownership structure of the Company before and after the Offering" of this Prospectus).
Shares Previously Listed by the Company	Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for registration and offer of shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company also submitted an application to the Exchange for admission to listing in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been granted, and all supporting documents required by the CMA have been obtained. Trading of the shares on the Exchange is expected to commence upon completion of final allocation (for further details, see the Section "Key Dates and Subscription Procedures" on page (xii) of this Prospectus).
Risk Factors	There are certain risks related to investment in the Offer Shares. Such risks can be classified as follows: <ol style="list-style-type: none"> 1- Risks related to the Company's business and activities. 2- Risks related to the market and regulatory environment. 3- Risks related to the Offer Shares. These risks are described in Section 2 "Risk Factors" of this Prospectus, and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The expenses and costs related to the Offering will be fully borne by the Selling Shareholders and deducted from the total Offering Proceeds. The Offering expenses are estimated to be approximately SAR 63.3 million, including the fees of the Financial Advisors, Underwriters, Legal Advisor, Legal Advisor to the Underwriter, Financial Due Diligence Advisor, Auditor, Market Consultant, and Receiving Entities, in addition to marketing, printing, distribution and other expenses related to the Offering.
Underwriters	<p>HSBC Saudi Arabia HSBC Building 7267 Olaya Street, AlMurooj District Riyadh 12283-2255 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 11 2992385 Website: www.hsbcSaudi.com Email: solutionsIPO@hsbcSaudi.com</p> <hr/> <p>SNB Capital SNB Regional Building King Saud Road P.O. Box 22216 Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 920000232 Fax: +966 11 4060052 Website: www.alahlicapital.com Email: snb.cm@alahlicapital.com</p> <hr/> <p>Morgan Stanley Saudi Arabia Al Rashid Tower, 10th Floor King Fahd Road P.O. Box 66633 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 11 2187000 Fax: +966 11 2187003 Website: www.morganstanleysaudiArabia.com Email: lneqsy@morganstanley.com</p>

Note: The Section **"Important Notice"** on page (i) and Section 2 **"Risk Factors"** of this Prospectus should be carefully considered prior to making a decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Key Dates

Table (1-3): Expected Offering Timetable

Event	Date
Bidding and Book Building Period for Participating Parties	A period of nine (9) days commencing on Sunday, 28/01/1443H (corresponding to 05/09/2021G), and ending on Monday, 06/02/1443H (corresponding to 13/09/2021G).
Subscription Period for Individual Investors	A period of three (3) days commencing on Sunday, 12/02/1443H (corresponding to 19/09/2021G), and ending on Tuesday, 14/02/1443H (corresponding to 21/09/2021G).
Deadline for Submission of Subscription Applications for Participating Parties based on the Provisionally Allocated Offer Shares	Sunday, 12/02/1443H (corresponding to 19/09/2021G).
Deadline for Payment of Subscription Amounts for Participating Parties based on the Provisionally Allocated Offer Shares	Wednesday, 15/02/1443H (corresponding to 22/09/2021G).
Deadline for Submission of Subscription Applications and Payment of Subscription Amounts for Individual Investors	Tuesday, 14/02/1443H (corresponding to 21/09/2021G).
Announcement of Final Offer Shares Allotment	On or before Monday, 20/02/1443H (corresponding to 27/09/2021G).
Refund of Excess Subscription Amounts (if any)	On or before Wednesday, 22/02/1443H (corresponding to 29/09/2021G).
Expected Start Date of Trading in the Exchange	Trading of the Company's Shares in the Exchange is expected to commence after all relevant regulatory requirements are satisfied. Trading will be announced through Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of the Exchange (www.saudiexchange.sa), the Financial Advisors, namely HSBC Saudi Arabia (www.hsbcSaudi.com), SNB Capital (www.alahlicapital.com), and Morgan Stanley Saudi Arabia (www.morganstanleysaudiArabia.com), and the Company (www.solutions.com.sa).

How to Apply

Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:

A- Participating Parties:

This tranche comprises the parties entitled to participate in the book building process as specified under the Book Building Instructions (please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus).

B- Individual Investors:

This tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom and any GCC natural person, provided they have a bank account with one of the Receiving Entities and are entitled to open an investment account.

Following is a brief summary of the subscription method for Participating Parties and Individual Investors:

A- Participating Parties:

Participating Parties can obtain a Bidding Application Form from the Lead Managers during the book building process and Subscription Forms from the Lead Managers after initial allocation. The Lead Managers shall, after obtaining CMA approval, offer the Offer Shares to Participating Parties only during the book building period. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms. Signed Subscription Application Forms must be submitted to the Lead Managers, and this form shall represent a binding agreement between the Selling Shareholders and the Participating Party.

B. Individual Investors:

Subscription Application Forms for Individual Investors will be available during the Offering Period on the websites of Receiving Entities that offer this service at their branches. Individual Investors can subscribe through the internet, telephone banking or the ATMs of Receiving Entities offering any or all such services to Individual Investors, provided the following requirements are satisfied:

- the Individual Investor must have a bank account with a Receiving Entity that offers such service; and
- there have been no changes in the personal information of the Individual Investor since their participation in a recent initial public offering.

Subscription Application Forms must be completed in accordance with the instructions set out in Section 17 "**Subscription Terms and Conditions**" of this Prospectus. Applicants must complete all relevant items of the Subscription Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions are not met. Amendments to and withdrawal of the subscription application shall not be permitted once the subscription application has been submitted. The submission of a Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholder (for further details, please refer to Section 17 "**Subscription Terms and Conditions**" of this Prospectus).

Excess subscription amounts, if any, will be refunded to the primary Investor's account with the Receiving Entity from which the subscription amount was initially debited, without any commissions or withholding by the Lead Manager or the Receiving Entities. Excess subscription amounts shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and Participating Parties, please refer to Section 17 "**Subscription Terms and Conditions**" of this Prospectus.

Summary of Key Information

This summary is intended to provide a brief overview of the information detailed in this Prospectus; however, it does not include all information which may be important to prospective investors and that must be taken into consideration before deciding to invest in the Offer Shares. Those who wish to subscribe for the Offer Shares should read and review this Prospectus in full. Any decision to invest in the Offer Shares must be based on a consideration of this Prospectus as a whole. In particular, the Section “**Important Notice**” on page (i) and Section 2 “**Risk Factors**” of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

Overview of the Company

Arabian Internet and Communications Services Co. is a closed Saudi joint stock company converted from a limited liability company to a closed joint stock company pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) and registered under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G), and its registered address is P.O. Box 50, Riyadh, 11372, Kingdom of Saudi Arabia.

The Company was originally established on 08/11/1423H (corresponding to 11/01/2003G) as a limited liability company with a fully paid-up capital of ten million Saudi riyals (SAR 10,000,000), divided into ten thousand (10,000) equal cash shares with a fully paid nominal value of one thousand Saudi riyals (SAR 1,000) per share. The Company was registered in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G). Since inception, the Company's capital has been increased several times. The capital was first increased, by virtue of the partners' resolution amending the Company's Memorandum of Association on 14/04/1432H (corresponding to 19/03/2011G), from ten million Saudi riyals (SAR 10,000,000) to one hundred million Saudi riyals (SAR 100,000,000), divided into ten million (10,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of ninety million Saudi riyals (SAR 90,000,000) was covered through the current account of the partners. By virtue of a partners' resolution amending the Company's Memorandum of Association on 01/04/1442H (corresponding to 16/11/2020G), the Company's capital was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) was covered through capitalization of the retained earnings. On 16/05/1442H (corresponding to 31/12/2020G), the Company was converted from a limited liability company to a closed joint stock company with a fully paid-up capital of one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share, pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) (for further details about the Company's history, please refer to Section 4.2 “**Corporate History and Evolution of Capital**” of this Prospectus).

Principal Activities of the Company

The principal activities of the Company are concentrated in the internet and telecommunications service sector. Pursuant to its Bylaws, the Company's principal activities include:

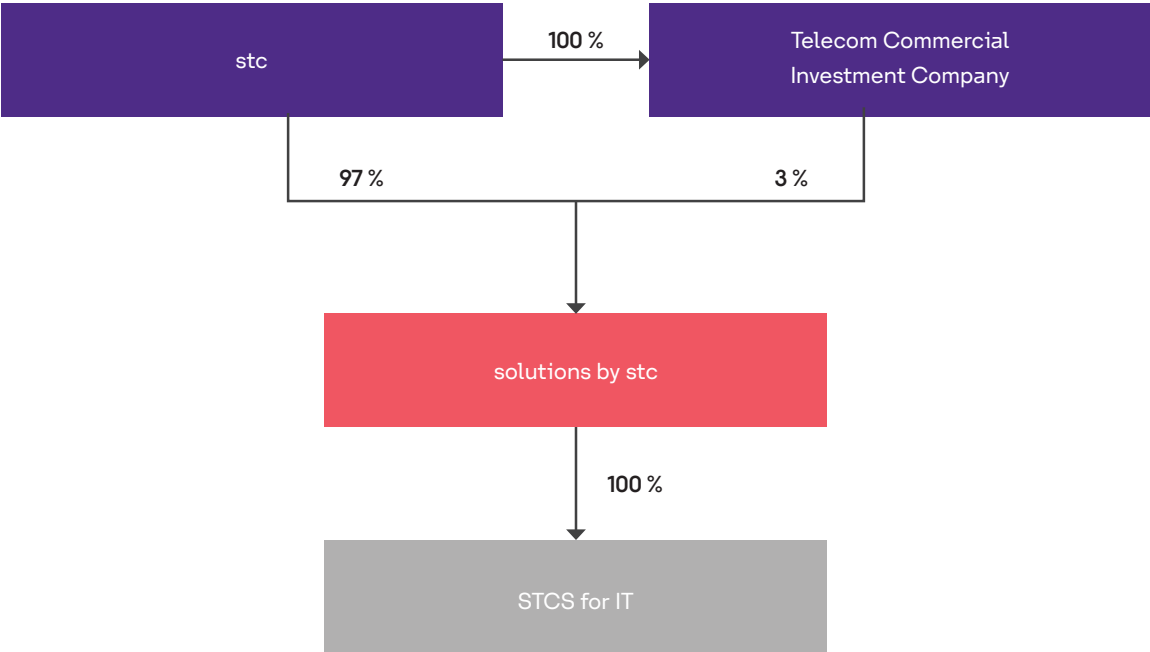
- 1- Information and communication.
- 2- Other service activities.
- 3- Telecommunication wiring.
- 4- Internet, computer and telecommunication networking wiring.
- 5- Installation and maintenance of security devices.
- 6- Provision of upper management consulting services.
- 7- Construction.

The Company's activities, according to its commercial registration, include:

- 1- Telecommunication wiring.
- 2- Networking wiring.
- 3- Computer and telecommunication networking wiring.
- 4- Installation and maintenance of security devices.
- 5- Provision of upper management consulting services.

Organizational Structure

Figure 1: Organizational Structure of the Company



Source: The Company

Company’s Vision, Mission and Strategy

Vision

The Company’s vision is to spearhead the B2B ICT services and digital agenda for stc group by offering segment-focused digital products and services.

Mission

To provide innovative technology solutions that enable our customers to address evolving market needs.

Strategy

The Company carries out its business by providing end-to-end ICT services and solutions to its customers, providing a range of services and solutions through each of its key customer channels (sell-to-stc and sell-to-B2B) across its business lines encompassing a broad range of ICT services and solutions., The Company aims to increase its market share in the Kingdom and achieve sustainable revenue growth while focusing on improving the Company’s profitability to maximize shareholders’ returns. To achieve this strategic plan, the Company has adopted business strategies around the following areas:

A. Lead in Managed and Professional Services

The Company places great emphasis on the core business of system integration, managed services, connectivity and digital services. In addition, the Company has current and planned initiatives to increase the volume of its business, to ensure that its position in the managed and professional services and business process outsourcing markets is further strengthened, with a view to nurturing customer relationships throughout the IT value chain and strengthening its competitive position in the market. In order to strengthen its leadership position in managed and professional services (including integration, customization, development and management), the Company is focused on diversifying its public cloud services offering by leveraging the best in-class external technologies optimizing and improving its existing managed services through the harmonization of delivery teams and capabilities in its various businesses, and expanding its operational capabilities.

B. Expand Product Portfolio and Market Reach

In keeping with its mission outlined above, the Company actively seeks to venture into new and adjacent business lines that are linked to its current business in order to meet the evolving needs of its customers and further establish brand equity, as an innovator in the market. The Company carries out comprehensive assessments of market trends and the needs of businesses in order to identify worthwhile markets to enter into. By diversifying its offerings in this way, the Company aims to achieve operational diversity and thereby ensure that the Company is able to effectively serve its customers in the future, including product and service cross-selling. Such initiatives are focused on diversifying the Company's customer base (including small and medium enterprises) through increased focus on new verticals with existing and new offerings, developing bundles of digital and connectivity services, developing off-the-shelf products and services, expanding existing sales channels, increasing efforts for standardization of products and services, and developing high margin offerings. Particular areas of focus for the Company for the diversification of its business profile include professional services, data center, cloud and managed services, and digital transformation consultation. By further focusing on these areas, the Company aims to support its cross-selling, and upselling efforts as well as its bundled services offerings in order to maximize Shareholder value and enable the Company to leverage its position as a major end-to-end ICT services provider in the Kingdom across systems integration and communication & internet business lines. Through this, the Company aims to offer greater value to small and medium enterprises through the sale of off-the-shelf products and solutions to the customers.

C. Advance Customer success and Partner Ecosystem

As part of its role as a service provider, the Company seeks to develop and maintain a strong partnership ecosystem, cultivating effective working relationships with its suppliers in order to best meet the needs of customers. Building on and maintaining relationships with global technology vendors, such as international hyper-scalers of cloud services and cybersecurity solutions, represents an essential element of the Company's go-to-market strategy, with the Company enabling its foreign partners to access the Saudi market. By expanding partner relationships, the Company aims to maximize its market share for associated products and services. In addition, the Company's strong relationship with stc facilitates increased access to customers in the market, in particular with respect to certain government and enterprise customers, where stc's enterprise business unit and the Company enter into the market jointly and are accountable as a single team, irrespective of the ultimate contracting entity. Moreover, the Company seeks to improve its customers' experience by developing its capabilities in managing and governing data in the context of its relationships with customers, thus enabling the Company to acquire a clear concept of its customers' needs.

D. Promote Internal Efficiencies and Collaboration

In order to achieve its strategic objectives, the Company consistently aims to create efficiencies within the business and streamline existing processes, thereby maximizing shareholder value. In particular, the Company actively seeks to cultivate synergies within the business and maximize transparency within the Company with a view to maximizing the benefits of its broad operational capabilities. Initiatives currently in place at the Company include enhancing internal operating models, enhancing data management and governance, increasing digitization of finance processes, enhancing talent retention and recruitment, and strengthening performance-monitoring processes.

Strengths and Competitive Advantages

A. Comprehensive Portfolio of Services Offering a One-Stop-Shop Approach

The Company is able to effectively leverage its multiple business lines and diverse product and service offerings, providing customers with comprehensive IT solutions and meet a broad spectrum of needs. In particular, the Company has developed a strong cross-selling capability across business lines, which means that it is able to serve as a one-stop-shop for all customer needs. This wide scope of products and services, spanning from connectivity through system integration and managed services to application services, enables the Company to build on strong customer relationships to offer a more fulsome product and service range to existing and prospective customers and expand its market share across business verticals through the Company's ability to cross-sell and bundle services.

B. Clear Market Leader in the Kingdom

The Company is able to benefit from its historic and continuing strong market presence and reputation within the Kingdom, which has been built on attracting different categories of customers and its presence in various geographic regions in the Kingdom. In particular, the Company operates across the Kingdom and serves a diverse range of private businesses and government related customers, including Saudi Aramco, the Saudi National Bank and a number of ministries and government agencies. The Company's success to date is evidenced by its current market share of 13% within the Kingdom's fragmented IT services market, which marks it as a clear market leader in the sector in the Kingdom. This market leader status further strengthens the reputation of the Company and has enabled it to succeed in winning a number of significant projects within the Kingdom. Indeed, the Company has had one of the highest growth rates among system integrators in the Kingdom between 2018-2020G, with its net revenue achieving a 31% CAGR through

large projects with high-profile customers in the Kingdom. The brand equity of the Company is further evidenced by the number of awards won by the Company in recent years, in recognition of the quality of service provided to customers (for further details about the Company's awards, please refer to Section 4.10.5 "Awards" of this Prospectus).

C. Ability to Capitalize on stc and Partner Ecosystems

Through its strong relationship with stc, the Company is able to draw upon a large institutional base of knowledge, customer reach and physical infrastructure. In particular, stc's size, reputation and resources - including nearly fifty (50) account managers - have enabled the Company to benefit from its comprehensive sales force and customer relationships. In addition, the Company takes advantage of stc's large customer base of government entities, large corporates and SMEs, which the Company is able to effectively leverage in the context of its own products and services, as well as marketing work within the context of requests for proposals. The Company also has a partner ecosystem of over one hundred fifty (150) global and local technology partners, including innovative technology providers, and it is also one of the companies that generate the highest revenue for major technology providers such as Cisco, Fortinet, PaloAlto, DellEMC, VMWare, Huawei, and Microsoft. By leveraging this relationship with global suppliers, the Company is able to act as a value-added reseller for its SME customers, through offering global supplier services to SMEs and other enterprises. In addition to the foregoing, the Company's relationship with stc also provides it with access to specific opportunities and projects, which, due to the size of the Company, may not otherwise be accessible to it.

The relationship with stc also provides opportunities for the Company and stc to work synergistically with one and other, such as through the secondment of employees with a view to encouraging knowledge transfers between the two entities, as well as through the joint development of products and services.

D. Experienced Management Team and Highly Qualified Employees

The Company's management team comprises individuals with strong operational experience and execution capabilities gained through extensive customer interactions during their tenure at the Company and within the sector, with an average of 19 years' experience within the sector (for further details about the members of the Company's Executive Management, please refer to Section 5 "Organizational Structure of the Company" of this Prospectus). Moreover, the Company provides a robust training programme to all employees in order to develop essential skills, while also maintaining a competitive salary and reward structure which is regularly evaluated and updated in order to keep pace with the expectations of employees. The Company believes that its employee base is essential to continue to deliver best in class services to its customers and accordingly seeks to maintain and build on a unique corporate culture among its employees, through the design of employee initiatives and engagement-enhancing strategies aimed at recognizing and nurturing the strengths and talents of individual employees (for further details about the Company's employees, please refer to Section 4.10 "Employees" of this Prospectus).

Market and Industry Overview

A. KSA Macroeconomic Overview

The Saudi economy is the largest in the GCC region, with a GDP of USD 793 billion (2019G), which is three times the average GDP of GCC countries. It is also one of the most advanced economies of the GCC countries, with a GDP per capita of twenty-three thousand, one hundred thirty-nine US dollars (USD 23,139).

Although the oil and gas sector still represents a large part of the KSA's economy (above 20% by the start of 2025G according to Oxford Economics (source: www.oxfordeconomics.com), the Kingdom has decreased its reliance on oil and gas revenues (lower by approximately 2% between 2016G and 2019G). As part of the Saudi government's economic reform plan, known as Saudi Vision 2030, the Government plans to further reduce its dependence on oil and convert the Kingdom into a technological hub. The plan is expected to drive sector digitalization in areas such as government, telecommunication, media, entertainment, financial services, manufacturing, healthcare and education, which will increase the demand for IT services. Artificial intelligence, robotics, augmented reality, virtual reality, cloud, IoT and e-commerce are some of the new technologies that are expected to be adopted under Saudi Vision 2030, while maintaining security across all domains.

B. Overview of KSA's ICT Industry

The Company operates in the KSA B2B ICT market, which was SAR 33.8 billion in 2018G and is projected to grow at a CAGR of 6.7% to SAR 53.1 billion by 2025G. The market is subdivided into IT services (59% in 2018G) and B2B Voice & Data services (41% in 2018G). In more developed markets like the USA, Germany, France, Japan and Australia, IT services represent a larger portion of up to 75-85% of B2B ICT services (source: the Company and the Market Consultant derived this data from International Data Corporation (IDC) market information since 2018).

Currently, IT services spend is SAR 19.8 billion which represents only 0.7% of the total GDP and therefore lags the 1.3% of more mature markets, showing that the market in the KSA has significant growth potential to align itself with the

norm in more mature markets. If spending in the KSA was to reach the level of more mature markets, the increase would represent a nearly 88% uplift in spending for enterprise IT services.

Furthermore, the KSA market is also significantly younger and therefore provides significant advantages compared to the US and European markets. For example, the KSA market is not encumbered by providers offering legacy work packages like time and materials, and has more room to offer modern technology and infrastructure.

The IT services segment is expected to be the main driver of growth with a CAGR of 9.7% from 2018G to 2025G, while B2B Voice & Data services should grow by 14% per annum over the same period. Therefore, IT services are expected to make up an increasing portion of the total B2B ICT services market and reach a level of penetration similar to the one observed in more mature markets. The growth of IT services is driven by Saudi Vision 2030 due to the digital transformation plans and increased IT spending.

The largest segments within IT services include (i) the public sector – defined by demand for large-scale, end-to-end IT and system integration projects, (ii) financial services – driven by enterprise connectivity and IT services, mobile point-of-service and IoT solutions and (iii) media and telecom – characterized by strong dependence for IT integration services for networks, systems and infrastructure integration.

The fastest growing sectors in IT services include (i) manufacturing – driven by industrial IoT use cases, related cloud solutions and managed networks, (ii) transportation – driven by increased demand for IoT and applications, (iii) retail – driven by e-commerce and digital transformation resulting in increasing demand for cloud and application services and (iv) healthcare – increasing digitalization needs, emerging remote care and unified electronic medical record initiatives.

Currently, the novel coronavirus (COVID-19) has a minimal impact on the B2B IT services market. Short-term effects stemming from COVID-19 include a focus on developing specific aspects of operations aimed at improving business resilience and continuity. Furthermore, demand for IT services is expected to increase from the acceleration of the digital transformation, a trend that should continue in the long term.

The IT services market in KSA is largely fragmented, and is thus characterized by a large number of small enterprises. The Company owns the largest share of the market, with a 13% market share, competing against local SIs, international players and telcos like Advanced Electronics Company, SBM and Ejada, and among the top three (3) players in almost all market segments of the KSA's B2B IT services market. Top global players represent only 9% of the market. Accenture and other global players are more focused on IT consulting while hyperscalers (AWS, Microsoft) are present but with limited local direct sales. The threat of hyperscalers is significantly lower in the government markets where relationships, local presence and credibility are of much greater importance than in the SME market.

Summary of Risk Factors

Below is a summary of the risk factors involved in investing in the Offer Shares; however, this summary does not contain all the information that may be important to investors. Therefore, those wishing to subscribe to the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, the Section "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

Risks Related to the Company's Business and Activities

- Risks Related to Reliance on stc for a significant portion of the Company's revenues.
- Risks Related to Operating as an Independent Listed Company.
- Risks Related to the Company's concentration of Government and Semi-Government Customers.
- Risks Related to Accounting Estimates and Assumptions and Revenue Recognition.
- Risks Related to Lead Time between Incurrence of Project Costs and Collection of Revenue for Certain Projects.
- Risks Related to Collection of Receivables.
- Risks related to Working Capital.
- Risks Related to Miscalculation of the Cost and Complexity of Performing Services.
- Risks Related to Sustainability of the Company's Revenue Growth and Profitability.
- Risks Related to Expanding the Company's Products and Capabilities.
- Risks Related to Rapidly Evolving Technological Developments and Customer Demand.
- Risks Related to Customer Retention and Procurement of Additional Work from Existing Customers.
- Risks Related to Undetected Errors or Defects in Products, Software or Solutions.
- Risks Related to Failure of the Company's Information Technology Systems and Data Centers.

- Risks Related to Cyber Attacks.
- Risks Related to the Company's use of a Trademark Owned by stc and Protection of Intellectual Property Rights used by the Company.
- Risks Related to Protecting of the Company's Reputation and Trademark.
- Risks Related to Third-Party Intellectual Property Rights.
- Risks Related to Dependence on the Senior Management Team.
- Risks Related to the Ability to Attract and Retain Highly Skilled IT Professionals.
- Risks Related to Reliance on Technology Partners, Suppliers, Service Providers and Subcontractors.
- Risks Related to Failure to Implement Future Business Strategies Successfully, on Time, or at All.
- Risks Related to Potential Future Acquisitions.
- Risks Related to Insurance Coverage.
- Risks Related to Licenses, Certificates, Permits, and Approvals.
- Risks Related to Employee Misconduct and Errors.
- Risks Related to Related Party Transactions.
- Risks Related to Claims and Litigation.
- Risks Related to Financing and Credit Facilities.
- Risks Related to the Company's Reliance on Leased Properties.
- Risks Related to Newly Implemented Corporate Governance Rules.
- Risks Related to Newly Formed Board Committees.
- Risks Related to Lack of Experience in Managing a Publicly listed company .
- Risks Related to Open Source Software.
- Risks Related to the Outbreak of COVID-19 or any Other Infectious Disease.
- Risks Related to Non-Competition with stc.

Risks Related to the Market and Regulatory Environment

- Risks Related to Changes in the Regulatory Environment.
- Risks Related to Data Protection Laws and Cybersecurity Controls.
- Risks Related to Competition.
- Risks Related to Compliance with Saudization Requirements.
- Risks Related to the Kingdom and the Global Economy.
- Risks Related to Political and Security in the Middle East.
- Risks Related to Increased Costs.
- Risks Related to Foreign Exchange Rates.
- Risks Related to Tax and Zakat.
- Risks Related to Floods, Earthquakes and Other Natural Disasters or Disruptive Acts.
- Risks Related to the Competition Law.

Risks Related to the Offer Shares

- Risks Related to Effective Control Post-Offering by stc.
- Risks Related to Absence of a Prior Market for the Shares.
- Risks Related to Fluctuation in the Market Price of the Shares.
- Risks Related to the Company's Ability to Distribute Dividends.
- Risks Related to the Sale of a Large Number of Shares in the Market.
- Risks Related to Issuance of Additional Shares in the Market after the Lock-up Period.
- Risks Related to Research Published about the Company and stc.
- Risks Related to Investing in Emerging Markets.

Summary of Financial Information

The financial information and KPIs set forth below should be read in conjunction with the Company's audited consolidated financial statements for the financial years ended 2018G, 2019G and 2020G, and notes thereto, which have been prepared in accordance with the IFRS-KSA and audited by the Company's Auditor, included in Section 19 "Financial Statements and Auditor's Report" of this Prospectus.

Table (1-4): Consolidated Statements of Profit or Loss and Other Comprehensive Income data for the Financial Years Ended December 31, 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G–2019G	Variance 2019G–2020G	CAGR 2018G–2020G
Revenue, net	4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
Cost of revenue	(3,076,252)	(4,410,052)	(5,469,447)	43.4%	24.0%	33.3%
Gross profit	965,047	847,245	1,421,972	(12.2%)	67.8%	21.4%
Selling and distribution expenses	(113,017)	(157,596)	(159,117)	39.4%	1.0%	18.7%
General and administration expenses	(270,185)	(350,146)	(459,734)	29.6%	31.3%	30.4%
(Impairment)/reversal of impairment in receivables and contract assets	(9,521)	8,526	(46,114)	(189.5%)	(640.9%)	120.1%
Other (loss)/ income	5,642	2,141	(2,335)	(62.1%)	(209.1%)	N/A
Gain from sale of a subsidiary	-	71,992	-	N/A	(100.0%)	N/A
Net profit before finance (costs)/ income and Zakat	577,966	422,161	754,672	(27.0%)	78.8%	14.3%
Finance (costs)/income, net	30,320	12,598	(899)	(58.5%)	(107.1%)	N/A
Net profit before Zakat	608,287	434,759	753,774	(28.5%)	73.4%	11.3%
Zakat	(51,831)	(40,933)	(51,978)	(21.0%)	27.0%	0.1%
Net profit for the year	556,455	393,825	701,796	(29.2%)	78.2%	12.3%
Remeasurement of end of service indemnities	10,790	(2,378)	(35,271)	(122.0%)	1383.2%	N/A
Total comprehensive income for the year	567,245	391,447	666,524	(31.0%)	70.3%	8.4%

Source: Audited consolidated financial statements for the years ended 2018G, 2019G and 2020G, excluding percentages

Table (1-5): Consolidated Statement of Financial Position data as at December 31, 2018G, 2019G and 2020G

SAR in 000s	As at December 31, 2018G	As at December 31, 2019G	As at December 31, 2020G
Cash and cash equivalents	892,387	414,281	993,474
Murabaha time deposits	230,400	-	-
Accounts receivable	1,829,107	2,634,928	2,803,751
Prepaid expenses and other assets	301,087	157,006	156,880
Contract assets	867,958	1,166,420	1,504,561
Inventories	140,297	150,654	112,369
Total current assets	4,261,236	4,523,290	5,571,035
Contract costs	22,558	6,217	6,642
Equity investments at FVOCI	50	-	-
Intangible assets	64,204	103,750	91,459
Property and equipment	102,002	166,715	593,559
Right-of-use assets	-	77,416	71,933
Total non-current assets	188,814	354,098	763,592
Total assets	4,450,049	4,877,388	6,334,628
Accounts payable and accruals	1,236,168	1,458,275	1,973,953
Deferred revenue	987,925	1,426,626	1,704,986

SAR in 000s	As at December 31, 2018G	As at December 31, 2019G	As at December 31, 2020G
Contract liabilities	335,776	452,254	336,035
Zakat payable	99,051	40,114	53,141
Total current liabilities	2,658,919	3,377,268	4,068,116
Lease liabilities	-	54,157	48,171
End of service indemnities	125,754	189,139	294,777
Total non-current liabilities	125,754	243,296	342,948
Total liabilities	2,784,673	3,620,564	4,411,063
Share capital	100,000	100,000	1,200,000
Statutory reserve	50,000	50,000	120,180
Other reserves	-	28,204	(6,851)
Retained earnings	1,515,377	1,078,620	610,236
Total equity	1,665,377	1,256,824	1,923,564
Total liabilities and equity	4,450,049	4,877,388	6,334,628

Source: Management information and audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Table (1-6): Consolidated Statements of Cash Flows Data for the Financial Years ended December 31, 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Operating activities			
Net profit before Zakat	608,287	434,759	753,774
Adjustments for:			
Depreciation, amortization and impairment of property and equipment and intangible assets	42,994	75,150	89,813
Depreciation - Right-of-use assets	-	17,053	18,772
Employee benefit expense	52,806	76,624	90,349
Impairment/(reversal of impairment) of accounts receivable and contract assets	9,521	(8,526)	46,114
Impairment of contract costs	-	-	6,127
Reversal of future estimated contract losses	(8,342)	-	-
Provision /(reversal of provision) for slow moving and obsolete inventories	(4,443)	32,121	8,092
Gain from sale of a subsidiary	-	(71,992)	-
Provision/(reversal of provision) for lease contracts and advances to suppliers	(2,345)	(6,799)	30,440
Provision for penalties	7,966	-	-
Finance charges	-	2,958	2,538
Finance income	(30,320)	(15,556)	(1,639)
	676,125	535,793	1,044,379
Changes in operating assets and liabilities:			
Accounts receivable	(870,076)	(805,495)	(217,528)
Prepaid expenses and other assets	(164,037)	122,002	979
Contract assets	(15,105)	(290,262)	(335,551)
Inventories	(64,478)	(42,479)	30,193
Contract costs	(22,558)	16,341	(425)
Accounts payable and accruals	429,182	191,455	491,609
Deferred revenue	507,207	438,701	278,360
Contract liabilities	(311,763)	116,478	(116,218)
Cash flows generated from operating activities	164,496	282,532	1,175,799
Zakat paid	(26,829)	(99,870)	(38,951)
End of service indemnities paid	(8,512)	(15,617)	(19,766)

SAR in 000s	2018G	2019G	2020G
Finance income received, net	31,188	16,437	1,981
Net cash generated from operating activities	160,343	183,483	1,119,064
Investing activities			
Purchase of property, equipment and intangible assets	(133,340)	(179,410)	(536,000)
Proceeds from sale of a subsidiary	-	100,000	-
Net liquidation of murabaha time deposits	569,600	230,400	-
Net cash generated from /(used in) investing activities	436,260	150,990	(536,000)
Financing activities			
Lease liabilities paid	-	(12,578)	(3,871)
Dividends paid	(300,000)	(800,000)	-
Net cash used in financing activities	(300,000)	(812,578)	(3,871)
Net (decrease)/increase in cash and cash equivalents	296,603	(478,106)	579,193
Cash and cash equivalents at the beginning of the year	595,783	892,387	414,281
Cash and cash equivalents at the end of the year	892,387	414,281	993,474

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Table (1-7): KPIs for the Financial Years Ended December 31, 2018G, 2019G and 2020G

Income Statement Metrics						
As a % of revenues, net	2018G	2019G	2020G	Variation		
Gross profit margin	23.9%	16.1%	20.6%	(7.8)	4.5	(3.3)
Net profit margin before Zakat	15.1%	8.3%	10.9%	(6.8)	2.7	(4.1)
Net profit margin	13.8%	7.5%	10.2%	(6.3)	2.7	3.6
Balance Sheet Metrics						
	As at December 31, 2018G	As at December 31, 2019G	As at December 31, 2020G	Variation		
Equity requirements	1.7	2.9	2.3	1.2	(0.7)	0.6
ROA	12.5%	8.1%	11.1%	(4.4)	3.0	(14)
ROE	33.4%	31.3%	36.9%	(2.1)	5.6	3.5
Working capital ratio (current ratio)	1.6	1.3	1.4	(0.3)	(0.1)	(0.2)

Source: Management information

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1- Definitions and Abbreviations

1- Definitions and Abbreviations

Advisors	The Company's advisors in relation to the Offering whose names appear on pages (v) and (vi) of this Prospectus.
Auditor	Ernst & Young & Co. (Certified Public Accountants)
Board or Board of Directors	The Company's Board of Directors.
Book Building Instructions	The Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) issued by CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Book-runners	HSBC Saudi Arabia, SNB Capital and Morgan Stanley Saudi Arabia.
Bundling	A marketing strategy in which several products and services are offered for sale as one combined product.
Business Day	Any day on which the Receiving Entities are open in the Kingdom (except for Fridays and Saturdays and any official holidays).
Bylaws	The Company's Bylaws approved by the General Assembly.
Capital Market Institution	A Capital Market Institution authorized by the CMA to engage in securities business.
CMA	The Capital Market Authority in the Kingdom.
CML or Capital Market Law	The Capital Market Law promulgated by Royal Decree No M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended.
Companies Law	The Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G) as amended.
Company Brand	The brand used by the Company, which is "solutions by stc."
Corporate Governance Regulations	The Corporate Governance Regulations issued by CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), as amended pursuant to CMA Board Resolution No. 1-7-2021 dated 01/60/1442H (corresponding to 14/01/2021G).
Cross-selling	A marketing strategy based on the interdependence between sales of products and services.
Digitization	Digital transformation from traditional methods to innovative business models based on digital technologies.
Directors	Members of the Company's Board of Directors.
Exchange or Tadawul	Saudi Tadawul Company (Saudi Stock Exchange) is the subsidiary company of Saudi Tadawul Group.
Extraordinary General Assembly	An extraordinary general assembly of shareholders convened in accordance with the Company's Bylaws.
Financial Advisors	HSBC Saudi Arabia, SNB Capital and Morgan Stanley Saudi Arabia.
Financial Year	The financial year of the Company, starting from January 1 to December 31 of each financial year.
G	Gregorian.
GCC	The Cooperation Council for the Arab States of the Gulf.
General Assembly	The Extraordinary General Assembly or Ordinary General Assembly; "General Assembly" shall mean any general assembly of the Company.
Government	The Government of the Kingdom of Saudi Arabia; the word "governmental" shall be construed accordingly.
Government and Semi-government Customers	Government and non-government bodies that are the Company's customers, including ministries, authorities and the like.
H	Hijri.
IFRS-KSA	The International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA.
Individual Investors	Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person, who can subscribe under the names of her minor children, on the condition that she proves that she is the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom and any GCC natural person, provided they have a bank account with one of the Receiving Entities and are entitled to open an investment account.
Investment Funds Regulations	The Investment Funds Regulations issued by CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G), in accordance with Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/002/2021G).
IT Services Market	The IT services market, which is a fragmented market (excluding connectivity, standalone software and hardware services) in the Kingdom.

KSA or Saudi Arabia	The Kingdom of Saudi Arabia.
Labor Law	The Saudi Labor Law promulgated by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G).
Lead Manager	HSBC Saudi Arabia.
Legal Advisor	Law Office of Salman M. Al-Sudairi.
Listing	Admission to listing of the Company's Shares on the Exchange in accordance with Listing Rules.
Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Lock-up Period	A period of six (6) months during which stc may not dispose of its shares, starting as of the date on which trading of the Offer Shares commences on the Exchange.
Market Consultant	Arthur D. Little Saudi Arabia.
Market Study	The market study prepared by Arthur D. Little Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce in the Kingdom.
Ministry of Labor	The Ministry of Human Resources and Social Development in the Kingdom.
Net Offering Proceeds	The proceeds of the Offering, after deducting the Offering expenses.
Offer Price	SAR 151 per share.
Offer Shares	Twenty-four million (24,000,000) ordinary shares, representing 20% of the Company's capital.
Offering	The offering of twenty-four million (24,000,000) ordinary shares, representing 20% of the Company's capital, for public subscription on the Exchange, at an Offer Price of SAR 151 per share.
Offering Period	The Offering Period will commence on Sunday, 12/02/1443H (corresponding to 19/09/2021G), and continue for a period of three (3) days up to and including the closing day on Tuesday, 14/02/1443H (corresponding to 21/09/2021G).
Official Gazette	Umm Al-Qura, the official Gazette of the Kingdom of Saudi Arabia.
one-stop-shop	A model where customers can obtain everything they need from one entity.
Ordinary General Assembly	An ordinary general assembly of shareholders convened in accordance with the Company's Bylaws.
Participating Parties	<p>The parties entitled to participate in the book building process, namely:</p> <ul style="list-style-type: none"> a- public and private funds that invest in securities listed on the Exchange, if permitted according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book Building Instructions; b- Capital Market Institutions licensed to engage securities business as principals, in compliance with the provisions set forth in the Prudential Rules when submitting the Application Form; c- customers of a person authorized by the CMA to conduct management services in accordance with the provisions and restrictions set forth in the Book Building Instructions; d- legal persons permitted to open an investment account in the Kingdom and an account with the Depository Center, with the exception of non-resident foreign investors, other than Qualified Foreign Investors according to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in compliance with CMA Circular No. 6/05158, dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20/07/1435H (corresponding to 19/05/2014G); e- Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Depository Center; f- Government-owned companies directly or through a private portfolio manager; g- GCC companies and GCC funds if permissible according to the terms and conditions of such funds;
Private Sector Customers	Companies operating in the private sector that are the Company's customers, including private companies owned by the government.
Prospectus	This Prospectus, which was prepared by the Company in relation to the Offering.
Public	<p>Any person other than those listed below:</p> <ul style="list-style-type: none"> 1- affiliates of the Issuer; 2- substantial shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of the Issuer's affiliates; 5- directors and senior executives of the Issuer's substantial shareholders; 6- any relatives of the persons referred to in item 1, 2, 3, 4 or 5 above; 7- any company controlled by any person referred to in item 1, 2, 3, 4, 5, or 6 above; and 8- persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.

QFI	A qualified foreign investor in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities to invest in listed securities. Qualification Applications are submitted to a Capital Market Institution to evaluate and approve the application in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.
Receiving Entities	The receiving entities whose names are stated on Page (vii) of this Prospectus.
Related Party	<p>The term "Related Party" or "Related Parties" in this Prospectus and according to Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by the CMA Board under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G), refers to:</p> <ul style="list-style-type: none"> a- affiliates of the Issuer; b- substantial shareholders of the Issuer; c- Directors and Senior Executives of the Issuer; d- directors and senior executives of the Issuer's affiliates; e- directors and senior executives of the Issuer's substantial shareholders; f- any relatives of the persons referred to in (A), (B), (C), (D), and (E) above; and g- any company controlled by any person referred to in (A), (B), (C), (D), (E), and (F) above. <p>For the purpose of Paragraph (G), "control" shall mean the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting equity in a company; and (b) having the right to appoint 30% or more of the members of the administrative staff; the word "controlling" shall be construed accordingly.</p>
Relatives	<p>Husband, wife and minor children.</p> <p>For the purpose of the Corporate Governance Regulations:</p> <ul style="list-style-type: none"> • parents, mothers, grandparents, grandmothers, and ascendants thereof; • children, grandchildren, and descendants thereof; • full brothers and sisters, paternal half-brothers and sisters, and maternal half-brothers and sisters; and • husbands and wives.
Riyals or SAR	The Saudi riyal, the official currency of the Kingdom.
ROSCOs or Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to Resolution No. 3-123- 2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law passed by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Rules for Qualified Foreign Financial Institutions Investment	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities passed under CMA Board Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/2015G), as amended by CMA Board Resolution No. 3-65-2019 dated 14/10/1440G (corresponding to 17/06/2019G).
Rules of Listed Companies	The Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies passed by the CMA Board under Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), as amended pursuant to CMA Board Resolution No. 4-122-2020 dated 03/04/1442H (corresponding to 18/11/2020G).
Sales to B2B	Sales to B2B customers, which include sales through stc and direct sales to B2B customers.
SAMBA	Samba Financial Group (now known as the Saudi National Bank).
Secretary	The Secretary of the Board.
Seismic Data	Data that provides a time picture of subsurface structure.
Sell-direct	Company sales directly to B2B customers.
Sell-through-stc	Company sales through stc (including through stc's enterprise business).
Sell-to-stc	Direct sales to stc and its subsidiaries.
Selling Shareholders	The Selling Shareholders as at the date of this Prospectus, namely stc and Telecom Commercial Investment Company Limited .
Senior Executives	Any natural person assigned – individually or jointly with other persons – by the Company's Board or a Director to oversee and manage tasks, and reports directly to the Board, Director or CEO.
Shareholders	Any owner of shares in the Company.
Shares	One hundred twenty million (120,000,000) fully paid-up ordinary shares of the Company with a nominal value of ten Saudi riyals (SAR 10) per share.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
stc	Saudi Telecom Company, which owns 5% or more of the Company's shares directly or indirectly.

Subscribers	Includes the Participating Entities and Individual Investors.
Subscription Application Form	The Subscription Application Form that individual Investors and Participating Entities (as applicable) must fill in to subscribe to the Offer Shares.
The Company	Arabian Internet and Communications Services Co.
Underwriters	HSBC Saudi Arabia, SNB Capital and Morgan Stanley Saudi Arabia.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering.
Upselling	A marketing strategy in which customers are encouraged to buy more products or services or obtain additional products or services.
Voice over Internet Protocol (VoIP)	A method for voice communications over the Internet or any network using Internet Protocol (IP).
VSAT	A very small ground station system, a communication system generally used to connect different networks via satellites.

2- Risk Factors

Prospective Subscribers should carefully consider the following risk factors, along with the other information contained in this Prospectus, prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that the Company currently believes may affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily constitute all risks affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Directors currently are not aware of or that the Directors currently believe are immaterial. The occurrence of any such risks and uncertainties may materially or adversely affect the Company's business, results of operations, financial position, and future prospects. As a result of such risks, the price of the Shares may decline, the Company's ability to pay dividends may be impaired, and investors may lose all, or part of, their investment.

The Company's business, results of operations, financial position, and future prospects may be materially or adversely affected, and the Company may not be able to pay dividends, the price of Shares may decline, and investors may lose all, or part of, their investment, if any of the risks referred to below or any other risks not identified by Directors, or that are not material at the present time are realized or become material. As a result of these risks and other factors that may affect the Company's business, the expected events and circumstances in the future that have been presented in this Prospectus may not happen in the way expected by the Company and / or the members of the board of directors, or they may not happen at all. Consequently, investors should consider all future statements contained in this Prospectus in light of this interpretation and not rely on these statements without verifying them (for more information, please refer to the Section "**Important Notice**" on page (i) of this Prospectus).

Moreover, the Board of Directors confirm that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus - other than as disclosed in this Section - that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should conduct an assessment of the risks related to the Company's Offer Shares and the Offering in general and the economic and regulatory environment in which the Company operates.

Investment in the Offer Shares is only suitable for investors who are capable of evaluating the investment risks and who have sufficient resources to bear any loss which might result from such investment. Prospective Investors who have doubts about which actions to take should seek the advice of a financial advisor duly licensed by the CMA prior to investing in the Offer Shares.

The risks stated below are not arranged in order of importance or expected impact on the Company. Other risks unknown to the Company may also occur, or risks which the Company considers immaterial at the present time may have the same effects or consequences mentioned in this Prospectus. Accordingly, the risks described in this Section or in any other section of this Prospectus may not: (a) include all risks that might affect the Company or its operations, activities, assets, or the markets in which it operates, and/or (b) include all of the risks relating to investment in the Offer Shares.

2-1 Risks Related to the Company's Business and Activities

2-1-1 Risks Related to Reliance on stc for a Significant Portion of the Company's Revenues

stc is a leader in the telecommunication industry in the Kingdom. Therefore, the Company faces risks related to the reliance of a large part of its revenues on stc, whether as a direct customer or sales partner. Sales to stc and sales through stc accounted for SAR 3,415.6 million, SAR 4,179.2 million and SAR 5,114.8 million (84.6%, 79.4% and 74.2%) of the Company's total net revenues in 2018G, 2019G and 2020G, respectively (for further details about the nature of the Company's relationship with stc, see Section 4.7.2 "**Sales Channels**" of this Prospectus).

A. stc as a Client of the Company

Through its relationship with stc, the Company is able to participate in tenders for stc projects to provide IT services, which are large projects in the public and private sectors in the Kingdom, and the Company concludes agreements with stc when any of those tenders is awarded to the Company. The Company's revenues from its direct sales to stc as a customer of the Company represented SAR 1,724.0 million, SAR 2,063.3 million, and SAR 2,424.1 million (42.7%, 39.2% and 35.2%) of the Company's total net revenues in 2018G, 2019G and 2020G, respectively, while SAR 2.146 billion of the Company's outstanding receivables from Related Parties as of 31 December 2020G was due from stc, which represented 72.5% of the total receivables for the same period, compared to SAR 2.207 billion and SAR 1.714 billion in 2019G and 2018G, respectively, which accounted for 80.4% and 85.8% for the same period.

As a result, the Company's business, results of operations and financial position may be significantly affected by the level of stc's IT spending and its policies, business, results of operations and financial position. For example, if stc's business is negatively affected, stc may reduce its expenses by reducing IT spending or obtaining better prices from

its suppliers, including the Company. In addition, given the evolving nature of stc's IT requirements, there is a risk that the Company may not develop its capabilities in a manner which enables it to service stc's requirements, which may result in stc seeking IT services from the Company's competitors, who may be better-placed to meet its requirements. Moreover, the Company's business will also be affected by any of the risks to which stc is exposed, which may affect the continuity of its business, including - but not limited to - any regulatory risks related to stc's license or the suspension of its business for any reason. If stc's business were to be affected in any way, this would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

The Company has entered into five (5) material agreements with stc, under which the Company provides solutions and services to stc as a customer of the Company, namely, the Framework Agreement effective as of 16/11/1435H (corresponding to 11/09/2014G), automatically renewable for similar periods; the Master Purchase Agreement expiring on 07/06/1444H (corresponding to 31/12/2022G); a service support agreement expiring on 07/07/1443H (corresponding to 08/02/2022G); the Framework Agreement for Implementation of Core NR 2021, which expires 18 months after its effective date, i.e., 2/1/1442H (corresponding to 28/08/2021G); and the Framework Agreement for the Implementation of Data Cybersecurity Tools, which expires 18 months after its effective date, i.e., 2/1/1442H (corresponding to 28/08/2021G). (For further details about the Company's material agreements with stc as a customer of the Company, see Section 12.5 "**Material Agreements**" of this Prospectus.) These agreements are integral to the strategies and objectives of both the Company and stc. However, two of these contracts contain the right of stc to terminate at will, and for both parties to terminate once the term has expired. Therefore, stc is not legally obligated to renew these contracts or enter into new contracts with the Company. stc may also terminate these agreements in the event that the Company violates any of its contractual terms. If stc decides to terminate any or all of these agreements - in accordance with the rights granted thereto under those agreements - or if it refuses to renew them on terms acceptable to the Company or at all, the Company may not be able to offset the loss incurred as a result of discontinuing business with stc. To the extent that the Company cannot maintain its arm's length relationship with stc, the Company may lose access to a significant source of revenue, which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

B. stc as a Sales Partner

The Company and stc employ a business model whereby a significant portion of the Company's revenue is generated by sales to customers through stc as a sales partner. Sales through stc amounted to SAR 1,691.6 million, SAR 2,111.2 million, and SAR 2,690.7 million (41.9%, 40.2% and 39.0%) of the Company total net revenues in 2018G, 2019G and 2020G, respectively. Customers are contracted through stc, and the scope of the subcontractor's services and responsibilities is determined under the material agreements between the Company and stc. stc's enterprise business unit refers RFPs that it deems appropriate to the Company, thus contributing to finding projects with competitive advantages for the Company. (For further details about the Company's material agreements with stc as a sales partner, see Section 12.5 "**Material Agreements**" of this Prospectus.) Through this relationship, the Company can access stc's customer relationships and leverage its presence in the market. In return, the Company provides stc with access to its technical and delivery team to design and execute projects, along with the opportunity to expand its portfolio to an IT services offering, in addition to the telecommunication services provided by stc. Customers to whom services are provided by the Company through this channel are typically billed directly by stc through joint sales channels, following which net revenues (after deducting stc's share) are returned to the Company. The Company therefore benefits from stc for a significant portion of its customer base. Hence, if the sales partnership becomes unsuitable for either the Company or stc, if stc provides a service to its customers that adversely affects the customer relationship, if stc fails to market and sell the services offered on the Company's platform or if stc is exposed to any risks related to its business continuity, this would have a material adverse effect on the Company's growth and results of operations.

The Company has entered into seven (7) material agreements with stc that define the scope of services and division of responsibilities in respect of the services provided by the Company to stc's customers through joint sales channels, as well as divide the share of revenue resulting from the provision of those services between the Company and stc. These agreements include the Cloud and Managed Services Agreement, the Managed and Digital Services Agreement, the DIA Services Agreement, the AAmal Net Agreement, the Satellite Communications Services Agreement, whose original term expired on 16/05/1442H (corresponding to 31/12/2020G) and automatically renewed for an additional five (5) years; the Smart Homes Service Supply Agreement, effective until 26/12/1442H (corresponding to 05/08/2021G) and renewable by agreement of the two parties; and the Subcontract Framework Agreement, effective until 07/05/1444H (corresponding to 01/12/2022G) and automatically renewable for three (3) consecutive years (for further details about the Company's material agreements with stc as a sales partner, see Section 12.5 "**Material Agreements**" of this Prospectus).

The "Internet Connection" is purchased by the Company in large quantities from stc Wholesale Business Unit, and distributed to third party customers through stc's Enterprise Business Unit. This product has high profit margins. In particular, the Company's ability to generate revenue from DIA depends on the DIA Services Agreement which expired on 16/05/1442H (corresponding to 31/12/2020G) and automatically renewed for an additional five (5) years. This Agreement is concluded with stc, pursuant to which DIA services are provided only through stc as a sales partner. The Company also relies on good faith cooperation with stc in implementing their market strategy, which aims to remove

direct competition between the Company and stc with regard to DIA sales, which represents a significant portion of the Company's profitability. The Company's DIA sales amounted to SAR 798 million, SAR 683 million, and SAR 912 million in 2018G, 2019G and 2020G, respectively, which accounted for 19.7%, 13.0% and 13.2% of the Company's total net revenues, respectively, for the same period. Two of these contracts contain the right of stc to terminate at will, and for both parties to terminate once the term has expired. stc may also terminate these agreements in the event that the Company violates any of its contractual terms. In addition, upon the expiry of these material agreements, stc is not legally obligated to renew these contracts or enter into new contracts with the Company. If stc decides to terminate any or all of these agreements - in accordance with the rights granted thereto under those agreements - or if it refuses to renew them on terms acceptable to the Company or at all, the Company may not be able to offset the loss incurred due to discontinuation of services to stc's customers. In addition, in the event that the DIA-related agreement is terminated or expires without being renewed, this may lead to the interruption of DIA services to customers until the Company contracts with another service provider, which the Company may not be able to do in a timely manner or on acceptable terms or at all, and which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-2 Risks Related to Operating as an Independent Listed Company

The historical information disclosed in this Prospectus refers to the business of the Company as a wholly owned subsidiary of Saudi Telecom Company. After the Offering, the Company may not realize some or all of the anticipated strategic, financial, operational or other benefits from becoming an independent listed company.

Prior to the Offering, the Company's reporting and internal control systems were appropriate for those of a subsidiary of a listed company. The Company also relied on stc to perform certain administrative functions, such as depending on the stc team to submit VAT and Zakat returns at the group level, given that, prior to the Offering, the Company did not have an independent tax and Zakat team because tax and Zakat returns were submitted at the group level. As an independent listed company, the Company will be subject to the Capital Market Law and its Implementing Regulations issued by the CMA, including the requirements imposed by those regulations such as preparing reports and disclosures for the CMA and the public and other requirements imposed by the CMA and Tadawul such as disclosure requirements and continuing obligations, which may place demands on the Company's management and administrative and operational resources. To comply with these requirements, the Company may need to implement additional financial and management controls, systems and procedures related to reporting and disclosures to the CMA and the public and investor relations functions, as well as hire additional staff. If the Company fails to implement and maintain effective internal control systems and controls, this would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-3 Risks Related to the Company's Concentration of Government and Semi-government Customers

In 2018G, 2019G and 2020G, 44.3%, 47.0% and 50.4%, respectively, of the Company's net revenue were from government and government-related customers in the Kingdom. As of 31 December 2020G, the Company's top five (5) contracts by value across product categories were with government customers. The contribution of the government customer segment is expected to continue to be strong and may increase in future periods, as the government of the Kingdom has stated that IT services and digitalization are among its strategic priorities.

Given the Company's concentration of government and semi-government customers, the Company may be impacted by financial, budgetary or regulatory constraints, or changes in government policy and public spending constraints, which could have a significant impact on the size, scope, timing and duration of contracts and procurements and, therefore, on the level of business which the Company derives from such customers. Such factors could also result in a suspension, cancellation, termination or non-renewal of existing contracts. In addition, the risks include delayed collection of receivables from government agencies. Receivables from government agencies amounted to SAR 533.0 million, SAR 381.1 million, and SAR 1894 million in 2020G, 2019G and 2018G, respectively, which represented 9.5%, 13.9 %, and 18% of the total receivables in 2020G, 2019G and 2018G, respectively. The days receivables outstanding for government agencies amounted to 131 days, 138 days and 167 days in 2020G, 2019G, and 2018G, respectively. As for aging, receivables from government agencies past-due over 180 days represented 4% of total receivables as of 2020G (for further details, see Section 6.5.20 "Accounts Receivable" of this Prospectus). Any loss of key government and semi-government customers, reduced expenditure on IT services by the Company's customers in the government sector, or increased days receivables outstanding for the Company's government customers would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. Projects involving government and semi-government customers also carry various risks inherent in the public sector contracting process. These risks include the following:

- terms and conditions of public sector contracts tend to be more onerous for the Company than commercial contracts in the private sector and may include, for example, more punitive service level penalties and less advantageous limitations on the Company's liability. In its experience, the Company has not been able to negotiate changes or modifications to standard government terms and conditions.

- terms and conditions of public sector contracts usually have limited or no room for negotiation;
- public sector contracts are often subject to more publicity than other contracts, and any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect the Company's business or reputation;
- such projects differ from commercial contracts in the private sector in that they are generally subject to public procurement rules in the Kingdom; and
- such projects may in some instances be subject to a higher risk of reduction in scope or termination than other contracts due to economic factors or the reduction in, or absence of, adequate funding.

In addition, two (2) of the Company's material agreements with government and semi-government customers include the right of a contracting party to terminate the agreement at any time and for any reason (for further details about the Company's material agreements with government and semi-governmental customers, see Section 12.5 "**Material Agreements**" of this Prospectus). If the parties contracting with the Company terminate any or all of these agreements - in accordance with the rights granted thereto under those agreements - or they refuse to renew them on terms acceptable to the Company or at all, this will result in the Company losing a portion of its revenues. If the Company is unable to manage the risks associated with government sector work, the Company could lose these contracts, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-4 Risks Related to Accounting Estimates and Assumptions and Revenue Recognition

Preparation of the Company's consolidated financial statements requires the Management to make judgments, estimates and assumptions that affect the amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods (for further details about accounting estimates and assumptions, see Section 6.4 "**Summary of Accounting Policies**" of this Prospectus).

In accordance with IFRS 15, the Company recognizes revenues and costs related to its customers before customer payments are due. In return for the recognition of these revenues in the Company's statement of profit or loss, the contract assets (or contract liabilities if the Company received the amount due from the customer or the payment was due but the revenue has not yet been recognized) are recorded in the statement of financial position until the performance obligation is satisfied by the Company. Accordingly, the Company may face the risk of overestimating or underestimating its accounting revenues and assets, whereby the assets could be subject to future derecognition or future disputes. If a customer rejects invoices, the Company recognizes a provision for bad debts in the statement of financial position if it doesn't have already a provision through ECL or was not reversed. An impairment of accounts receivable and contract assets in the consolidated statement of profit or loss (based on the ECL allowance policy and in accordance with IFRS 9) or revenues are reversed. (For further details about accounting estimates and assumptions, see Section 6.4 "**Summary of Accounting Policies**" of this Prospectus).

Contract assets amounted to SAR 1.5 billion, SAR 1.2 billion and SAR 868.0 million in 2020G, 2019G and 2018G, respectively, which constituted 23.8%, 23.9% and 19.5% of the Company's total assets as at December 31 2020G, 2019G and 2018G, respectively. The number of days between revenue recognition and maturity of payments for contract assets for projects amounted to less than 90 days for amounts of approximately SAR 573.8 million, 90-365 days for amounts of approximately SAR 626.7 million, and over 365 days for amounts of approximately SAR 193.9 million as of 31 December 2020G. Contract liabilities amounted to SAR 336.0 million as at December 31 2020G, SAR 452.3 million in 2019G and SAR 335.8 million in 2018G, representing approximately 7.6%, 12.5% and 12.1% of total liabilities as at December 31 2020G, 2019G and 2018G, respectively. If the Company faces material errors related to accounting estimates and assumptions, or if it encounters major disputes or eliminations in its accounting revenues in the future, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects (for further details about contract assets and contract liabilities, see Section 6.5.22 "**Contract Assets**" and Section 6.5.32 "**Contract Liabilities**" of this Prospectus, and for further details about deferred revenue, see Section 6.5.31 "**Deferred Revenue**" of this Prospectus).

2-1-5 Risks Related to Lead Time between Incurrence of Project Costs and Collection of Revenue for Certain Projects

With certain government customers, given the nature and importance of some urgent government projects, the Company may enter into high-risk agreements with its customers in the direct sales channel. The Company has

developed an internal tool to identify and evaluate high-risk agreements, whereby it commences project execution and development activities prior to signing a purchase order with the customer for important and trusted government customers. Revenue from such arrangements accounted for SAR 9 million, SAR 145 million, and SAR 208 million in 2018G, 2019G and 2020G, respectively. The costs of these arrangements amounted to SAR 94 million, SAR 70 million, and SAR 26 million in 2018G, 2019G and 2020G, respectively; however, the costs cannot be matched with the revenues above. The revenue from such arrangements constituted 0.2%, 2.8% and 3.2% of the Company's net revenues in 2018G, 2019G and 2020G, respectively. Pursuant to these high-risk agreements with these government customers, there is usually a lead time between incurrance of project costs and recognition of revenue (in line with accounting standards applicable in the Kingdom). Therefore, any delay in the Company's ability to obtain a signed purchase order from a customer under such arrangements could reduce the Company's revenue in that period or render it entirely unable to collect payment for development costs that are incurred for work that has already been performed. For example, only SAR 26 million of the costs of high-risk agreement projects and about SAR 208 million of the revenues of those projects were recognized in 2020, which resulted in an adjusted contribution margin of 23.5% (after excluding the impact of the revenues and cost of high-risk projects). (For further details, see Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus.) Accordingly, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-6 Risks Related to Collection of Receivables

The Company's business depends on its ability to receive payment on a timely basis from its customers of the amounts they owe to the Company for work performed. In particular, as of 31 December 2018G, 2019G and 2020G, doubtful debts (excluding dues from Related Parties) represented 19.2%, 12.0% and 9.2% of the total trade receivables (excluding dues from Related Parties) as of 31 December 2018G, 2019G and 2020G, respectively, while doubtful debts (with Related Parties) represented 3.2%, 2.0% and 3.8% of the total amounts due from Related Parties in 2018G, 2019G, and 2020G, respectively. The bulk of the total receivables, comprising 72.5% as of 31 December 2020G, represents amounts related to stc in line with the higher level of transactions with the Company. The reason for the higher level of transactions is that stc is the Company's top customer and a key and effective partner in delivering projects to the Company's other customers. Net receivables from Related Parties amounted to SAR 1.6 billion, SAR 2.2 billion and SAR 2.1 billion as of 31 December 2018G, 2019G and 2020G, respectively.

As at 31 December 2020G, receivables from Related Parties past due for more than 180 days amounted to SAR 363.5 million, representing 12% of receivables in 2020, while receivables from the government past due for more than 180 days amounted to SAR 126.6 million, representing 4% of total receivables in 2020G. Receivables from government and semi-government customers and private sector institutional customers amounted to SAR 283.8 million, SAR 537.6 million and SAR 813.3 million as of 31 December 2018G, 2019G and 2020G, respectively. The increase in receivables is mainly attributed to government and semi-government customers and private sector institutional customers given the growth of the Company's business during the period.

The Company applies IFRS 9 expected credit losses (ECL) to all its customers. ECL for receivables from the government sector is based on quarterly reviews conducted by Management (through an internal committee consisting of the Finance Department and the Sales Department, whose role is understanding and determining the status of aged balances, reviewing and assessing the provision for bad debt, and estimating and approving balances). ECL provisions for receivables from the non-government sector are recognized against commercial receivables that vary from three months to one year on the basis of the estimated irrecoverable amounts and determined based on prior defaults of the counterparty and analysis of the counterparty's current financial position. Customers may delay payments, request modifications to their payment arrangements, or default on their payment obligations, or disputes may arise with customers regarding billing amounts, which may increase the possibility that the Company will not be able to collect these amounts from its customers, leading to the Company facing working capital shortages. The nature of the Company's contracts sometimes requires it to commit resources to a project prior to receiving advances or other payments from customers to cover expenditures on the project as they are incurred. The Company is therefore exposed to the risk that customers may delay or fail to make payments for services rendered by the Company, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, the Company have in the past offered significant discounts to its government customers, amounting to SAR 100 million in 2018G and SAR 199 million in 2020G, due to the importance of the projects, and the Company may continue to offer discounts in the future. Continued significant discounts given to these customers by the Company would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

For further details on (impairment) / reversal of impairment in receivables and provisions for receivables, see Section 6.5.8 "**General and Administration Expenses**" of this Prospectus, and for further details about contract liabilities, see Section 6.5.32 "**Contract Liabilities**" of this Prospectus.

2-1-7 Risks Related to Working Capital

In 2020G, working capital included contract assets (unbilled revenues), receivables from stc and third-party customers, less deferred revenues, contract liabilities and other accrued expenses. The largest portion of the Company's working capital is attributed to stc, as it is the Company's top customer and also plays a role in bringing projects to the Company.

The Company may in the future face difficulties covering the needs of, or properly managing, working capital, and while the Company's credit facilities and financing agreements may contribute to covering those needs, they may not be sufficient to cover these needs in the amount or manner required. Difficulties managing working capital may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-8 Risks Related to Miscalculation of the Cost and Complexity of Performing Services

The pricing of IT services contracts is complex and highly dependent on the Company's internal estimates, predictions and assumptions for the Company's projects and, in particular, the cost of providing the relevant IT services. These estimates, predictions and assumptions might be based on limited data and could turn out to be inaccurate. If the Company does not accurately estimate the scope of its costs and timing for completing projects, its contracts could prove unprofitable. The Company may underprice its projects, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. For example, actual profitability was lower than that estimated by the Company in three projects: (1) a cloud infrastructure project for a private customer, (2) a network integration project for a private customer, and (3) a system integration project for a government customer, due to the higher costs attributed, amongst other things, to the updated scope of work and some technical reasons to ensure the provision of solutions in a timely manner, which led to a combined decrease in the estimated profitability of these projects by 5%.

The Company also set aside provisions of SAR 6,126,639 as impairment of contract costs in the year ended 31 December 2020G, which represents factors that may lead to a difference in the estimated profitability of a project from the actual profitability include a change in suppliers' and contractors' quotations, higher prices of logistics services as a result of external factors, corrective measures in designs due to external conditions, amendments to laws and regulations, an increase in the cost of labor executing projects, delayed implementation due to circumstances beyond the control of the Company and customers, modification or cancellation of some items after their partial implementation, inaccurate assessment of emergency precautions and unknown risks, or inability of suppliers and subcontractors to supply and implement project parts. In circumstances where the Company encounters unexpected costs, the Company generally seeks to negotiate with contractors and suppliers to reduce underlying costs. However, there can be no assurance that such negotiations with contractors and suppliers will result in agreements being reached which will reduce the cost increases on the Company. Any significantly increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks that the Company encounters in connection with the delivery of its services, including those caused by factors outside the Company's control, could negatively impact the Company's profitability. Thus, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-9 Risks Related to Sustainability of the Company's Revenue Growth and Profitability

The Company's net revenue increased by a CAGR of 30.6% during the period from 2018G to 2020G. However, the Company's rapid revenue growth in recent periods should not be viewed as indicative of its future performance, and there can be no assurance that the Company will be able to sustain revenue growth or profitability consistent with recent periods or at all. As the Company's revenue increases, its profitability may also decrease based on the distribution of its sales, as increased revenue may be the result of business lines, products, or markets with margins that are lower than the Company's historical margins. For example, the Company's net profit for the year decreased by 29.2% in 2019G as compared to 2018G, despite an increase in revenue by 30.1% in the same year.

The Company is currently heavily reliant on its system integration business, which accounted for 42.7%, 39.7% and 33.6% of the Company's net revenue for the years ended 31 December 2018G, 2019G and 2020G, respectively. As a result of revenue concentration in the Company's system integration business line, the Company faces the risk of increased competition, pricing pressure, and increased regulation in this segment. As part of the Company's strategy, it may seek to further expand into existing business lines with high growth in order to diversify its revenue mix and introduce new services to its customers. The Company's diversification strategy may also include inorganic growth by way of opportunistic business acquisitions. However, such diversification might impact profitability as the Company enters into businesses, verticals or sales channels which may yield lower margins.

The Company's estimates of backlog works are dependent on estimated purchase orders and do not represent contracts concluded or signed, and they are subject to change based on the requirements of the Company's customers for those contracts. Therefore, this value does not guarantee that the Company will achieve the expected revenues from the value of backlog works. The Company's backlog works amounted to SAR 4.4 billion, SAR 5.4 billion, and SAR 6.3 billion as of 31 December 2018G, 2019G and 2020G, respectively.

The Company's results of operations may also fluctuate due to a variety of factors in addition to the factors affecting stc as a sales partner (for further details about these risks, see Section 2.1.1 "**Risks Related to Reliance on stc for a Significant Portion of the Company's Revenues**" of this Prospectus), some of which are beyond the Company's control, including increasing competition in the IT services market, which may lead to the Company losing its market share or forcing the Company or stc to offer greater discounts to its customers in order to maintain or increase its market share (for further details, see Section 6.3.2 "**The Company's Relationship with stc**" of this Prospectus). These factors also include the Company's failure to diversify its business and capitalize on growth opportunities that may be available to it or that may be available in the sector in which it operates. In addition, the Company's growth rates are likely to experience increased volatility as a result of the COVID-19 pandemic, and are likely to decline due to economic disruption and expected reduction of Government spending (for further details about the risks related to COVID-19, see Section 2.1.35 "**Risks Related to the Outbreak of COVID-19 or Any Other Infectious Disease**" of this Prospectus).

The Company has in the past, and may continue to, experience cyclical fluctuations in its revenue, particularly depending on the timing for certain large-scale projects on which the Company is engaged. There are a numbers of factors which may affect the number and value of projects taken on by the Company, many of which are beyond the Company's control, such as general economic conditions, the introduction of new fees or taxes, regulatory changes, the entry of new players into the market, competitive price pressure and other factors. There can be no assurance that the Company's revenue will not continue to experience cyclical fluctuation in future periods. If any of the above-mentioned risks materializes, it would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-10 Risks Related to Expanding the Company's Products and Capabilities

There can be no assurance that the Company will be able to continue to expand its products and capabilities to address the needs of its customers across different segments and verticals. The Company currently has a specialized salesforce for certain key verticals, including Healthcare, Education, Real Estate and Government. However, as the IT services market in the Kingdom further develops and customers require more specialized IT solutions, the Company may be required to build capabilities focusing on other verticals, in order to expand its enterprise customer base.

Different customer segments and verticals have different service and product requirements and in order to appropriately service the needs of different customer segments, the Company will need to develop the relevant tools and capabilities and tailor its value proposition accordingly. If the Company is unable to effectively sell its services to a broader market, then its competitive position may be negatively impacted. Expanding the Company's products and services involves new risks and challenges, and may place strain on the Company's management and resources. Failure to expand the Company's products and capabilities successfully would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-11 Risks Related to Rapidly-evolving Technological Developments and Customer Demand

The market for IT services is characterized by rapid technological change, frequent new product introductions, technology enhancements, increasingly sophisticated customer requirements and evolving industry standards. The Company's future success depends on its ability to continue to develop, market and implement services and solutions that are attractive, timely and cost-efficient for its existing and new customers. This requires the Company to anticipate and respond to rapid and continuing changes in technology, industry developments and IT service and solution offerings by new entrants in order to serve the evolving needs of the Company's customers. If the Company does not adapt, expand and develop its services and solutions in response to changes in technology or customer demand, the Company's ability to develop and maintain a competitive advantage and continue to grow could be negatively affected, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

Developments in the industries or verticals that the Company serves, which include – and are not limited to – the oil and gas sectors, healthcare, banking and government development sectors, could shift demand to new services, software and solutions. If, as a result, the Company's customers demand new services, software or solutions, the Company may be less competitive in these new areas or need to make significant investments to meet that demand. In addition, the Company operates in an environment in which there currently are, and the Company expects will continue to be, new entrants that may offer new services, software and solutions. New services, software and solutions offered by competitors or new entrants may make the Company's offerings less attractive or less competitive, when compared to other alternatives. The Company also may not be able to successfully anticipate or adapt to changes or

customer requirements on a timely basis. If the Company fails to keep up with such changes or to convince customers of the value of its services, software and solutions in light of new technologies or new offerings by competitors, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-12 Risks Related to Customer Retention and Procurement of Additional Work from Existing Customers

The Company contracts with customers to provide various technical services and solutions, either directly in its direct sales to customers or through stc as a sales partner. Section 12.5 "**Material Agreements**" of this Prospectus sets out a summary of the Company's material contracts with existing customers. The Company's contracts do not give the Company a right to be the exclusive supplier of services and solutions to its customers (except for certain arrangements with stc as a sales partner, which include some exclusive contractual terms between the two parties (for further details about the Company's material agreements with stc as a sales partner, see Section 12.5 "**Material Agreements**" of this Prospectus)). In addition, these contracts are not long-term by nature. The Company's ability to retain its existing customers and gain new customers depends on its ability to maintain high standards of service, and also on stc as a sales partner (for further details about these risks, see Section 2.1.1 "**Risks Related to Reliance on stc for a Significant Portion of the Company's Revenues**" of this Prospectus). Any failure by the Company to consistently meet a customer's service requirements could disrupt the customer's business, and may cause it to lose the customer and affect the Company's ability to attract new business, which could have a negative impact on the Company's reputation.

Six (6) of the Company's material agreements with its customers include a right of a contracting party to terminate the agreement at any time and for any reason (for further details about the Company's material agreements with its customers, see Section 12.5 "**Material Agreements**" of this Prospectus). If the parties contracting with the Company terminate any of these agreements - in accordance with the rights granted thereto under those agreements - or if it refuses to renew them on terms acceptable to the Company or at all, this will result in the Company losing a portion of its revenues. Furthermore, as a technology company, part of the Company's usual business is for customers to not renew their contracts, terminate those contracts before the end of the term, or not sign new contracts with the Company after delivery of the contracted services, and the Company may face costs associated with the termination of services as well as the loss of anticipated future revenue. Further, a customer might choose not to retain the Company for additional stages of a project, try to renegotiate the terms of its contract or cancel or delay additional planned work. When contracts are terminated or not renewed, the Company loses the anticipated revenue, which it may take significant time to replace. The initial phases of a customer relationship often require that the Company invests time and money understanding the customer's needs, as compared to established customer relationships where the Company's understanding of the customer's needs often allows the Company to deliver its products and services more efficiently. If long-term customers are replaced by new customers on terms that are less favorable to the Company, or new customers do not become long-term customers, customer churn could adversely impact the Company's business, results of operations, financial position, and future prospects.

In addition to retaining existing customers, the Company's success depends in large part on its ability to attract additional work from existing customers. If the Company's customers are not satisfied with the quality of the Company's work or with the types of services or solutions delivered or otherwise seek to renegotiate their contracts (for example, as part of their internal cost-cutting initiatives), the Company could incur additional costs to address the situation and the profitability of such work might be impaired. In order to maintain or increase margins, the Company must attract additional work from such renewing customers through cross-selling or up-selling its other services. Additionally, customers may also decline to extend contracts or may direct future business to the Company's competitors. Consequently, the Company's results of operations in subsequent periods could be materially lower than expected, which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-13 Risks Related to Undetected Errors or Defects in Products, Software or Solutions

The Company's products, software or solutions, as well as hardware, software and services provided by various suppliers, could contain errors or defects that the Company has not been able to detect and that could adversely affect the performance of the products, software or solutions and negatively impact the demand therefor. Despite testing by the Company and users of the offered software, errors have occurred and will likely continue to occur in the Company's products, software and solutions from time to time. If errors or defects are discovered, the Company may have to incur significant capital expenditures to eliminate them and may not be able to successfully correct them in a timely manner or at all. Errors and failures in products, software or solutions could result in a loss of, or delay in, market acceptance of such products, software or solutions and could damage the Company's reputation. Any such errors or defects could result in adverse customer reactions and negative publicity, because many of the Company's customers and potential customers are highly sensitive to defects in the products, software or solutions they use. Furthermore, any errors in products, software or solutions could result in the need to provide concessions and corrective measures to existing customers in order to maintain their business.

The Company also relies on software, hardware and applications from various third parties to deliver its services and solutions with regard to all services and solutions that include software, hardware and applications, in addition to its use of some open-source software (for further details about the associated risks, see Section 2.1.34 **"Risks Related to Open Source Software"** of this Prospectus). The Company has entered into a number of agreements with suppliers that include technology solutions provided by Palo Alto Networks, Juniper Networks, NetApp, Arbor Networks, Microsoft, Cisco, Oracle, Huawei, VMware, IBM, Fortinet, and HP (for further details in this regard, see Section 4.8.1 **"Suppliers"** and Section 12.5.3 **"Supplier Agreements"** of this Prospectus). If any of these software, hardware or applications become unavailable due to extended outages or because they are no longer available on commercially reasonable terms or in the event that agreements with suppliers are terminated for any reason including the Company's violation of its contractual terms under those agreements, it could result in delays in the provisioning of the Company's services until equivalent technology is identified, obtained and integrated, which could increase the Company's expenses or otherwise harm its business. While the Company seeks to closely collaborate with its third party suppliers of software, hardware and applications with a view to streamlining the acquisition and integration of technology, there can be no assurance that the current relationships between the Company and its suppliers will continue in their current form. Changes in these supplier relationships may impact the ability of the Company to procure tailored services and technology from such suppliers, which may increase the Company's expenses, capabilities or otherwise harm its business.

In addition, any errors or defects in or failures of this third-party software, hardware or applications could result in errors or defects in or failures of the Company's services and solutions, which could harm its business and could be costly to correct. Many of these suppliers attempt to impose limitations on their liability for such errors, defects or failures, and, if enforceable, the Company may have additional liability to its customers or third-party providers that could harm the Company's reputation and increase its operating costs. If any of the above-mentioned risks materialize, it would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2-1-14 Risks Related to Failure of the Company's Information Technology Systems and Data Centers

The Company depends on its information and technology systems in its daily business, and any failure or breakdown in these systems could interrupt normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could impact the Company's ability to offer services to its customers, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects. There can be no assurance that any future new IT will not result in any business interruptions. Any significant delays or interruptions in providing services could negatively impact the Company's reputation.

In addition, the Company relies on third-party vendors to supply and maintain much of its internal IT. The Company concludes annual contracts with various providers to maintain and support its internal IT and upgrade it to the latest versions (for further details, see Section 4.8.1 **"Suppliers"** and Section 12.5.3 **"Supplier Agreements"** of this Prospectus.) In the event that one or more of the third-party vendors that the Company engages to provide support and upgrades with respect to components of the Company's IT ceased operations or became otherwise unable or unwilling to meet its needs, there is no assurance that the Company would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could adversely affect the Company's business, results of operations, financial position, and future prospects.

To serve its customers, the Company must maintain continuous data center operations, including network, storage and server operations. In the event of any significant disruption in operations or any major system failure, or if the Company is not able to move its data centers to alternate locations if it is forced to do so for any reason, including the lack of a suitable alternate site, this could compromise the Company's ability to deliver services according to its contracts or to complete projects for its customers on a timely basis (which could trigger penalty and/or damages payments by the Company), result in the loss of customers or curtailed operations, any of which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. Additionally, losses in customers due to performance issues, system interruptions or other failures could result in a loss of revenue, reputational harm, and additional operating expenses in order to remediate the failures, and exposure to other losses or other liabilities, including those incurred in resolving backlog issues once systems are restored, all of which could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-15 Risks Related to Cyber Attacks

Given the nature of the Company's business, it is exposed to cyber-attacks (including computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks) impacting the confidentiality, integrity and availability of its information systems and business data. The financial and strategic importance of the Company's customers may attract attacks from cybercriminals and nation-state cyber espionage. The Company's efforts to monitor and assess its security organization to adapt to new threats may not be sufficient to effectively stop cyber-

attacks. An increase in social hacking (e.g., unauthorized third parties attempting to gain credentials, access or information through direct personal interaction with the Company's employees) creates a risk for the Company. Human error by the Company's personnel poses a constant risk and the Company's efforts in awareness training and process improvements are unlikely to remove all risk for negative consequences of human error.

In addition, the Company's provision of cybersecurity services to its customers typically requires the Company to comply with certain security obligations. There can be no assurance that the Company will be able to comply with all of those obligations, which may result in the Company no longer being able to work for the customer, a customer no longer being able to work with the Company, the termination of a particular contract or liability for the Company or its customers. IT security breaches could lead to shutdowns or disruptions of the Company's systems and potential unauthorized disclosure of confidential information or data, including personal data. The Company may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that IT security breaches and other issues in the future will not have a material impact on the Company's business or that the Company's procedures will be sufficient to address future IT security breaches and other issues.

The theft or unauthorized use or publication of the Company's, or the Company's customers', confidential information or other proprietary business information as a result of an IT security incident could adversely affect the Company's competitive position and reputation, and reduce marketplace acceptance of the Company's services and solutions, whether or not the incident is ultimately determined to be the Company's fault. If the Company's systems are compromised, resulting in reputational harm or its inability to deliver its solutions, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-16 Risks Related to the Company's Use of a Trademark Owned by stc and the Protection of Intellectual Property Rights Used by the Company

The Company relies on the "solutions by stc" logo and trademark (the "**Company's Trademark**"), which is registered in the name of stc. The Company has entered into a license agreement with stc to use the Company's Trademark, pursuant to which stc has agreed and acknowledged that the Company has the exclusive and irrevocable right to use the Company's Trademark in its business around the world for a period of ten (10) years, automatically renewable for additional ten (10) years. In return, the Company shall pay an annual royalties fee to stc, calculated on the basis of 0.25% of the Company's total revenues, starting from 28/05/1443H (corresponding to 01/01/2022G). Such fee shall be revised by stc every five (5) years. It should be noted that the Company shall obtain the consent of stc prior to re-licensing the trademark, or transferring its rights, under the agreement to third parties (except for any subsidiaries) (for further details about this agreement, see Section 12.5 "**Material Agreements**" of this Prospectus). Under the agreement with stc to license the use of the Company's Trademark, either of the parties may terminate the agreement in the event of any violation of its contractual terms, and if this license agreement is terminated for any reason, not renewed, or renewed on terms that require the Company to pay higher fees, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

As for Kuwait, the trade name "solutions by stc" and the Company's Trademark are currently used by another subsidiary of stc in Kuwait, Qualitynet General Trading & Contracting Company. The Company has granted its no-objection to Qualitynet to use the Company's Trademark in the State of Kuwait for a period of one year until Qualitynet concludes an agreement with the Company that regulates its use of the Company's Trademark in the State of Kuwait, pursuant to a no-objection letter submitted by the Company on 12/10/1442H (corresponding to 24/05/2021G). Accordingly, the trade name "solutions by stc" may be used in the State of Kuwait inconsistently with the Company's vision and aspirations, or the Company may not be able to use the trade name if it wishes to expand its operations to Kuwait, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects (for further details, see Section 2.2.3 "**Risks Related to Competition**" of this Prospectus).

The Company may, from time to time, be compelled to seek legal action for the protection of its rights to its intellectual property rights. If the Company fails to protect its intellectual property rights for any reason, or if third parties misuse, misappropriate, infringe on, or violate the Company's intellectual property rights, including its right to use the Trademark, this will pose a risk to the value of the Company's intellectual property, and, in turn, will have a material adverse impact on the Company's business, results of operation, financial position and future prospects. The Company's reputation may be affected if its intellectual property rights are used by third parties inconsistently with the Company's vision and aspirations, which could lead to a decline in levels of demand for its services or adversely affect the ability to attract new customers.

As of the date of this Prospectus, the Company does not own any trademarks, and accordingly, the Company is still in the process of developing a policy to govern the registration of its trademarks, which may result in the Company being unable to prepare, submit, defend, maintain and implement applications for registration of trademarks that it wishes to register in the future, in a timely manner or at reasonable costs. If the Company is unable to register the trademarks that it wishes to register in the future, or if it registers the trademarks and then cancels them, this would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

In addition to the Trademark, the Company relies on certain trade secrets, copyright, nondisclosure and other contractual arrangements to protect its intellectual property rights. If any parties violate contractual arrangements in place to protect its intellectual property rights by using or otherwise exploiting the Company's trade secrets or confidential information without the permission of the Company or infringe upon the Company's intellectual property rights including copyright, this will adversely affect the Company's business, financial position, results of operations and future prospects.

The Company has developed certain software platforms to provide services to its customers and is exploring the possibility of filing for patents in respect of those platforms. There is no guarantee that the Company will be able to obtain a patent in respect of those platforms in the future. Furthermore, the patent process is expensive, time-consuming, and complex, and the Company may not be able to prepare, file, prosecute, maintain, and enforce all necessary or desirable patent applications at a reasonable cost or in a timely manner. The scope of patent protection also can be reinterpreted after issuance and issued patents may be invalidated. Even if the patent applications are granted, they may not be granted in a form that is sufficiently broad to protect the Company's technology, prevent competitors or other third parties from competing with the Company or otherwise provide the Company with any competitive advantage. If the Company is not able to obtain a patent for the software inventions, or if the granted patents are subsequently invalidated, this may adversely affect the Company's business, results of operations, financial position, and future prospects.

Any of the Company's copyright or other intellectual property or proprietary rights may be challenged, narrowed, invalidated, held unenforceable, or circumvented in litigation or other proceedings, including, where applicable, opposition, re-examination, inter partes review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide the Company meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from the Company's management, even if the eventual outcome is favorable to the Company, which would have a material adverse effect on the Company's business, financial position, results of operations, and future prospects.

2-1-17 Risks Related to Protecting the Company's Reputation and Trademark

The Company's corporate reputation is a significant factor in its customers' and prospective customers' determination of whether to engage the Company. The Company also indirectly relies on stc's corporate reputation, particularly given that the Company's trademark ("solutions by stc") derives from stc's trade name ("stc"). The Company believes that its trademark and reputation (including its association with stc) are important corporate assets that help distinguish the Company's services from those of its competitors and also contribute to its efforts to recruit and retain talented IT professionals. However, the Company's corporate reputation is susceptible to damage by actions or statements made by current or former employees, customers, competitors, vendors, and members of the investment community and the media. There is a risk that negative information about the Company (or, indirectly, stc), even if based on false rumor or misunderstanding, could adversely affect the Company's business. Moreover, the trade name "solutions by stc" and the Company's trademark is currently used by another of stc's subsidiary companies in Kuwait, Qualitynet General Trading & Contracting Company, and there is a risk that negative information about Qualitynet General Trading & Contracting Company, irrespective of the factual basis of the information, could be misinterpreted as relating to the Company and that the trade name "solutions by stc" could be used in Kuwait in a manner inconsistent with the Company's visions and aspirations, and thereby adversely affect the Company's business and adversely impact the Company's ability to expand into other markets within the region (for more information, please refer to Section 2.1.16 "**Risks Related to the Company's Use of a Trademark Owned by stc and the Protection of Intellectual Property Rights Used by the Company**"). In particular, damage to the Company's (or, indirectly, stc's), reputation could be difficult and time-consuming to repair, could make potential or existing customers reluctant to select the Company for new engagements, resulting in a loss of business, and could adversely affect the Company's employee recruitment and retention efforts. If the Company experiences damage to its reputation and trademark would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-18 Risks Related to Third-party Intellectual Property Rights

The Company's services, software and solutions could infringe on the intellectual property rights of third-parties when the Company integrates services, software and solutions of third-parties to the services the Company offers to its customers. Although the Company is not aware of any infringement claims, third parties may, in the future, assert claims against the Company or the Company's customers alleging infringement, misappropriation or violation of patent, copyright, trademark, or other intellectual property rights. Infringement claims could harm the Company's reputation, result in liability for the Company or prevent the Company from offering some services, software or solutions. Any claims that the Company's services, software or solutions infringe the intellectual property rights of third parties, regardless of the merit or resolution of such claims, may result in significant costs in defending and resolving such claims, and may divert the efforts and attention of the Company's management and technical personnel from the Company's business. In addition, as a result of such intellectual property infringement claims, the Company could be required or otherwise decide that it is appropriate to:

- discontinue using, licensing, or offering particular services, software, solutions, technology or processes subject to infringement claims;
- develop other technology not subject to infringement claims, which could be costly or may not be possible;
- obtain rights to use such intellectual property; or
- enter into settlement discussions with the third party that is pursuing an infringement claim.

The occurrence of any of the foregoing could result in unexpected increased expenses. In addition, if the Company alters or discontinues offering a particular service, software or solution as a result of an infringement claim, the Company's revenue could be affected. If a claim of infringement were successful against the Company or the Company's customers, an injunction might be ordered against the Company's customers or the Company's own operations, causing further damages.

The Company currently licenses intellectual property from a variety of third parties and other registered software owners, including technology solutions provided by Palo Alto Networks, Juniper Networks, NetApp, Arbor Networks, Microsoft, Cisco, Oracle, Huawei, VMware, IBM, Fortinet, and HP (or further details in this regard, see Section 4.8.1 "**Suppliers**" and Section 12.5.3 "**Supplier Agreements**" of this Prospectus). It may be necessary in the future to renew licenses relating to various aspects of these licenses or to seek new licenses for existing or new platforms or other products or services. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with the Company for a variety of reasons, including actual or perceived failures or breaches of security or privacy, or reputational concerns, or they may choose not to renew their licenses with the Company. The loss of, or inability to obtain, certain third-party licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs, delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into the Company's services or platforms, and may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, licenses for the programs provided by suppliers regularly contain specific conditions with regard to the number of users per license and the license scope. Any infringement of such licenses by the Company or the Company's customers, for example by not obtaining the correct number of licenses or exceeding the scope of such licenses, could lead to substantial costs to the Company due to any fines or penalties imposed under the terms of those licenses, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-19 Risks Related to Dependence on the Senior Management Team

The Company's success depends upon its ability to identify, hire, develop, motivate and retain a highly-qualified senior management team. The Company's future performance will be affected by any disruptions in the continued service of its executives and other officers, notwithstanding succession planning arrangements that the Company has in place. Any departure or transition of key management personnel could disrupt the Company's operations or customer relationships, or materially impact its results of operations. Competition for senior management in the IT industry is intense, and the Company may not be able to retain senior management personnel or attract and retain new senior management personnel in the future. The Company's competitors may actively seek to recruit members of the Company's senior management personnel and may succeed in such efforts. The loss of any member of the Company's senior management, whether due to non-renewal of their contracts or inability to recruit new qualified personnel with the same experience for reasonable remuneration, may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-20 Risks Related to the Ability to Attract and Retain Highly Skilled IT Professionals

The Company's success to date has depended, to a significant extent, upon, and the Company's future success will also depend upon, the Company's ability to attract and retain highly qualified IT professionals. In particular, the Company must attract, train and retain appropriate numbers of talented people with diverse skills, including project managers, IT engineers and other senior technical personnel, in order to serve customer needs and grow the Company's business. If the Company is unable to do so, the Company's ability to develop new business and effectively lead the Company's current projects could be jeopardized.

The Company's ability to maintain and renew existing engagements and obtain new business will also depend, in large part, on its ability to attract, train and retain technical personnel with the skills that keep pace with continuing changes in information technology, evolving industry standards and changing customer preferences. The Company's profitability also depends on its ability to effectively utilize personnel with the right mix of skills and experience to support the Company's projects. The processes and costs associated with recruiting, training and retaining employees place significant demands on the Company's resources. In addition, the demands of changing technology, evolving standards and changing customer preferences may require the Company to redeploy and retrain the Company's IT professionals.

The Company believes there is a shortage of, and significant competition for, professionals with the advanced technological skills necessary to provide the services and solutions the Company offers, particularly in the Kingdom, where finding employees with the right skill set for the Company's business is challenging. The Company's profitability and ability to compete for and manage customer engagements could be adversely affected if the Company cannot manage employee hiring and turnover to achieve a stable and efficient workforce structure, which would have a material adverse impact on the Company's business, results of operation, financial position and future prospects.

2-1-21 Risks Related to Reliance on Technology Partners, Suppliers, Service Providers and Subcontractors

In order to operate and manage its business, the Company relies on products and services provided by third party suppliers and subcontractors. The Company also partners with global technology vendors and integrates them into the solutions that it offers to customers. The Company has entered into a number of agreements with suppliers that include technology solutions provided by Palo Alto Networks, Juniper Networks, NetApp, Arbor Networks, Microsoft, Cisco, Oracle, Huawei, VMware, IBM, Fortinet, and HP. The Company has also subcontracted a number of entities to implement specific projects for customers (for further details on agreements with suppliers and subcontracting, see Section 12.5.3 "**Supplier Agreements**" of this Prospectus). If the Company loses access to partner products, margins tighten on its partner products, or the Company's agreements with any of its suppliers expire and the Company is unable to renew or replace them with other agreements with other suppliers, at all or on favorable terms, this may adversely affect the Company's business. Any restriction by any third-party suppliers and subcontractors upon which the Company relies - as in the Business Partner Agreement with HP whereby the Company is obliged to make purchases and the agreement will be terminated if the Company does not make any purchases within twelve (12) months - in addition to the temporary and permanent discontinuation of their business or inability to provide their services at prices or conditions acceptable to the Company will adversely affect the Company. Accordingly, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Moreover, the Company is unable to directly guarantee the effectiveness and quality of subcontractors when executing contracts. The Company may be indirectly liable if these suppliers and subcontractors are not able to implement such contracts and deliver services within the specified time frame and to the agreed standards, given that the Company is the party contracting with customers and is responsible to customers for the implementation of contract obligations, regardless of subcontracting. The Company has entered into several agreements with subcontractors (for further details about the subcontracts entered into by the Company, see Section 12.5.3 "**Supplier Agreements**" of this Prospectus). However, if the Company cannot pass on any losses (in whole or in part) as a result of defaults by a supplier or a subcontractor under the subcontracts for any reason, the Company will necessarily bear this loss. Accordingly, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-22 Risks Related to Failure to Implement Future Business Strategies Successfully, On Time, or At All

The Company's future performance depends on its ability to implement its plans and growth strategies, which include winning new bids for projects and developing new solutions for customers. These activities depend on the Company's ability to continue implementing and improving its operational and management information systems efficiently in a timely manner, as well as obtaining any required regulatory authorities' approvals. There is no assurance that the Company's personnel or its existing systems will be sufficient to support future expansion and growth or that it will be able to obtain any necessary approvals for any future growth plans in a timely manner or at all. Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional funding may result in missing the intended economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-23 Risks Related to Potential Future Acquisitions

As part of the Company's growth strategy, it has been actively evaluating various growth opportunities. Depending on the right strategic fit and financial profile, the Company may decide to acquire new businesses, technologies, services, products and other assets from time to time. This may entail various risks, including that the Company may not be able to accurately assess the value, strengths and weaknesses of the acquisition or investment targets, effectively integrate the purchased businesses or assets, achieve the expected synergies or recover the purchase costs of the acquired businesses or assets. The Company may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any business or asset it acquires, including in relation to the retention of key employees, legal contingencies (such as, contractual, financial, regulatory, environmental or other obligations and liabilities) and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. These difficulties could impact the Company's ongoing business, distract its management and employees and increase its expenses which could, in turn, have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2-1-24 Risks Related to Insurance Coverage

The Company maintains insurance coverage through several types of insurance policies including, but not limited to, general liability insurance, cybersecurity insurance, director liability insurance, property all risks insurance, building insurance, motor insurance and employee healthcare insurance. Some contracts with customers may require the Company to obtain insurance coverage as necessary (for further details on the Company's insurance policies, see Section 12.10 **"Insurance"** of this Prospectus). The Company believes that it has provided insurance against relevant risks at a reasonable and commercially adequate amount for its business. The Company's operations may be affected by a number of risks not covered by insurance or which are covered but at unreasonable commercial prices. Future accidents may occur for which the Company may not be insured to cover potential losses or may not be insured at all. In addition, the Company's insurance policies include exceptions or limits for coverage. In these cases, the Company would incur losses that could have a material adverse effect on its business and results of operations.

In addition, situations may arise that may force the Company to claim compensation from the relevant insurer with respect to any insured losses or damages. It is possible that the Company's claims may exceed the value of the insurance policy held by it, or that the incurred damage may not be covered by insurance, or that the claim filed by the Company may be rejected by the relevant insurer. The Company may also be unable to obtain sufficient insurance coverage due to an increase in insurance premiums or due to the unavailability of such coverage (due to an increase in the premium, the deductible, or co-insurance requirements). All these factors will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

It should be noted that the Company is covered by data protection and privacy (cybersecurity) insurance, and has legal liability insurance for its Directors, officials and the Company as part of the insurance policy of stc and its subsidiaries, including the Company, and has not secured independent insurance. If stc does not renew the insurance policies to include the Company's insurance coverage, the Company will have to secure separate insurance for its business, which may not be available at reasonable prices, and therefore it may incur further costs.

2-1-25 Risks Related to Licenses, Certificates, Permits, and Approvals

The Company is subject to a number of laws and regulations that require it to obtain the necessary licenses and permits from competent legal and regulatory authorities in the Kingdom to exercise its business activities. The Company currently maintains a number of licenses, certificates, permits, and approvals related to its business activities, including, but not limited to, various licenses issued by the Communication and Information Technology Commission (**"CITC"**) with respect to the Company's operations, the Commercial Registration certificate obtained by the Company from the Ministry of Commerce, the certificate of Chamber of Commerce membership, municipality licenses, and civil defense permits. Upon renewal or amendment of the scope of the license, certificate, or permit, the competent authority may not renew or amend such documents and may impose conditions that would adversely affect the performance of the Company in the event that the competent authority has renewed or amended those documents. For instance, the Company has been issued seven Type (B) Class Licenses by CITC, which CITC has the right to amend, withdraw or suspend in accordance with applicable laws, regulations and any public interest requirements. It also has the right to cancel or suspend the license at its absolute discretion, when the Company commits any action requiring the same. Moreover, CITC licenses include a number of general conditions that apply to all Type (B) Class Licenses, in addition to special conditions that apply to each of these types of licenses (for further details about the general and special conditions of CITC licenses, see Section 12.3.1 **"CITC Licenses"** of this Prospectus). The Company may believe that it has fulfilled all the necessary requirements and obtained the necessary licenses to operate. However, a government entity may request that additional licenses be issued or further requirements fulfilled in the future. For further information on the Company's key licenses, please refer to Section 12.3 **"Key Licenses"** of this Prospectus.

The Company may be required to cease certain operations in the event that it is unable to renew a license, if a license has been suspended, cancelled, revoked, or renewed under unfavorable terms, or where the Company fails to obtain additional licenses that may be required in the future, which may cause interruptions and / or results in the Company sustaining additional costs, any one or combination of which will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

The Company may also become subject to regulatory or other action for violations of its key licenses and permits. For example, the Company is currently subject to procedures related to the CITC's allegation that the Company has violated the provisions of the SMS service license, and that is still under review by the Committee for the Consideration of Violations of the Communications Law that may result in penalties or fines being imposed on the Company of up to twenty five million Saudi riyals (SAR 25,000,000) according to the Communications Law, as the Company previously obtained a violation for failing to protect user information and not providing the CITC with the required information, which included a fine of five million two hundred thousand Saudi riyals (SAR 5,200,000), which the Company appealed. It is still under review by the competent authorities as at the date of this Prospectus. For further information on the Company's outstanding violations, please refer to Section 12.11 **"Litigation and Claims"** of this Prospectus. For example, pursuant to the digital certification services license under which the Company carries out digital certification services in the Kingdom, the Company is responsible for ensuring the authenticity of certified information contained in such

certificate and may become liable for any damages incurred by any person who trusted, in good faith, the validity of such information. In addition, the Company could become subject to regulatory action in relation to outsourcing arrangements with its customers, whereby it contracts with customers to provide IT professionals on an outsourced basis, if the Ministry of Labor decides to enforce rules and regulations relating to the outsourcing of manpower in a broad manner. While such rules and regulations do not appear to be intended to license the types of services provided by the Company, the Ministry of Labor could interpret them to be applicable to outsourcing services in the information technology sector, including the Company's outsourcing services. In addition, pursuant to the Labor Law, it is not permissible - without following the established legal rules and procedures - for an employer to let their worker work for others. The Ministry of Labor has developed an electronic system that aims to regulate and document the temporary work of non-Saudi employees working for another employer under the Labor Law, called the "Ajeer" system, through which non-Saudi employees working for another employer are registered under temporary work notices issued by the employer to a non-Saudi employee, allowing them to work for its customers. The Company has registered all external project personnel according to outsourcing services through the Ajeer system, but this is no longer possible for external project personnel according to the outsourcing services provided to government agencies, given that the Ajeer system does not allow non-Saudi employees to be registered to work temporarily with government agencies. Failure to register non-Saudi employees with the Ajeer system could subject the Company to penalties deemed appropriate by the Ministry of Labor in accordance with the relevant applicable laws and regulations. Pursuant to Article 233 of the Labor Law, penalties may take the form of a fine of no more than one hundred thousand Saudi riyals (SAR 100,000), closure of the facility for a period not exceeding thirty (30) days, or even permanent closure of the facility. It should be noted that the penalty may be doubled in case of recurrence, and the fine shall be multiplied by the number of persons committing the violation. As at the date of this Prospectus, the Company does not have a license to provide outsourcing services, although it may be interpreted as being necessary in order to provide some of the services the Company provides based on the Ministry of Labor's controls and rules on outsourcing recruitment and provision of labor services, given there is currently no mechanism for licensing the outsourcing services provided by the Company (IT services). If Ministry of Labor expands the interpretation of the controls and rules on outsourcing recruitment and provision of labor services to apply to the Company, the Company may be required to obtain a license or may be subject to penalties or fines due to non-compliance with these controls and rules. The Company's violation of any laws, regulations or rules could expose the Company to administrative proceedings, civil lawsuits, criminal prosecution or a prohibition on the Company engaging in certain types of business or offering certain products or services, which would have a material adverse effect on the Company's business, financial position, results of operations and future prospects. The Company also cannot predict the effect that any future investigations by regulatory bodies will have on its business, financial condition or results of operations.

2-1-26 Risks Related to Employee Misconduct and Errors

Employee misconduct and/or errors may result in violations of the law by the Company, which would lead to regulatory penalties being imposed on the Company by the relevant authorities. Such penalties would vary according to the misconduct or error and would cost the Company financial liability and/or damage its reputation. Such misconduct and/or errors may include:

- unauthorized dissemination of confidential information or trade secrets to a customer, a competitor or to the market;
- culturally insensitive behavior such as unethical conduct or socially unacceptable behavior;
- engagement in misrepresentation or fraudulent, deceptive or otherwise improper activities while marketing the Company's products to current or potential customers;
- non-compliance with applicable laws or internal controls and procedures; and/or
- failure to document transactions properly in accordance with the Company's standardized documentation and processes, failure to take appropriate legal advice in relation to non-standard documentation or failure to obtain proper internal authorization.

There can be no assurance that the Company's corporate governance and compliance policies (including with respect to sanctions and trade restrictions, anti-bribery and anti-corruption, employee conduct and whistleblowing policies in relation thereto) will protect it from improper conduct of its employees. If the Company's employees were to commit any misconduct or errors that result in incurring financial liabilities and/or penalties, this would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-27 Risks Related to Related-party Transactions

In its ordinary course of business, the Company enters into transactions with Related Parties, including transactions with stc and its subsidiaries, and, in the future, the Company will continue to be a party to Related Party transactions (for further details about transactions with Related Parties, see Section 12.6 "**Agreements with Related Parties**" of this Prospectus). Transactions with Related Parties are subject to the agreements that govern the conditions under which the Company provides solutions and services to stc as a direct customer of the Company, as well as the scope of responsibilities and revenue sharing for the services that the Company provides to stc customers related to the sales partnership. These agreements have been executed on an arm's length basis, and the Company obtained the

Independent Directors' approval, based on the recommendation of the Audit Committee, for these transactions on 17/09/1442H (corresponding to 29/04/2021G). However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given that pursuant to Paragraph (5) of Article 58 of the Rules of Listed Companies, an interest shall not be considered indirect if the business and contract executed for the Company's account may result in financial or non-financial benefits to a company affiliate that is, or whose relative is, a board member of the Company or a senior executive. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly (for further details about these agreements, see Section 12.5.1 "**Agreements with stc and its Subsidiaries**" of this Prospectus).

The Company largely relies on Related Party transactions with stc (for further details about the Company's reliance on its transactions with stc, see Section 2.1.1 "**Risks Related to Reliance on stc for a Significant Portion of the Company's Revenues**" of this Prospectus). The Company's net revenue from contracts with and through Related Parties (stc and its subsidiaries) amounted to SAR 3.4 billion, SAR 4.2 billion, and SAR 5.1 billion for the financial years ended 31 December 2018G, 2019G and 2020G, respectively, which represented 84.6%, 79.4% and 74.2% of total net revenues, respectively, for the same period. In the event that future Related Party transactions are not entered into on an arm's length basis, this may have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, the Company has entered into Related Party transactions in the past and may enter into Related Party transactions in the future. Pursuant to the provisions of the Companies Law, some transactions must be authorized by the Ordinary General Assembly of the Company. Existing or future Related Party transactions may not be duly authorized by the Ordinary General Assembly, in which case the Company may be exposed to the risk of such transactions being challenged or invalidated. Occurrence of any of the above events would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-28 Risks Related to Claims and Litigation

The Company may, in the future, inside or outside the KSA, be exposed to lawsuits, claims, and other material judicial proceedings related to its business operations, including from customers, suppliers, and employees. As of the date of this Prospectus, the Company is subject to thirty-one (31) commercial lawsuits in the context of its ordinary business in its capacity as a plaintiff with a potential total financial impact of forty-eight million one hundred twenty-three thousand five hundred forty-five Saudi riyals (SAR 48,123,545). The Company is also subject to one labor lawsuit as a plaintiff with potential total financial impact of one hundred sixteen thousand seven hundred ninety-seven Saudi riyals (SAR 116,797) and nine (9) labor lawsuits in its capacity as defendant with a potential total financial impact of seven hundred forty-three thousand nine hundred sixty-nine Saudi riyals (SAR 743,969) (for further information, please refer to Section 12.11 "**Litigation and Claims**" of this Prospectus). The Company cannot predict the outcome of such proceedings, and any unfavorable result could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. In addition, the Company anticipates the costs of such actions brought by or against it, or the final outcome of such claims or judgements, including penalties and damages. Therefore, any negative decision will have a material adverse impact on the Company. In addition, the Company has entered into fourteen (14) material agreements under which the Company is subject to different complex and changing laws, regulations and court systems of multiple foreign jurisdictions, and must comply with a wide variety of foreign laws, treaties and regulations, not to mention unforeseen changes in regulatory requirements, which may have an adverse effect on the Company in case any lawsuit is brought against the Company under any of these agreements. In the event that the Company is subject to a negative judicial or quasi-judicial decision, and such decisions requires the payment of large compensatory amounts beyond the financial capacity of the Company, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-29 Risks Related to Financing and Credit Facilities

A. Current Financing

As at the date of this Prospectus, the Company has entered into two (2) financing agreements pursuant to which it obtained financing from Samba Financial Group ("**Samba**") for a total amount of five hundred million Saudi riyals (SAR 500,000,000), and financing from CISCO Systems Finance International ("**CISCO**") with a facility limit of fifteen million US dollars (USD 15,000,000) (equivalent to fifty-six million, two hundred fifty thousand Saudi riyals (SAR 56,250,000)). The relevant facility agreements relating to financing arrangements contain a number of undertakings and default events (for further details in this regard, see Section 12.5.4 "**Financing Agreements**" of this Prospectus). If the Company defaults on any of its obligations under these facility agreements, if an endorsement provided by the Company under this agreement or other facility agreement entered into pursuant to this agreement is found to be invalid or inaccurate, or if any steps are adopted with respect to bankruptcy, insolvency, financial reorganization, or restructuring of the Company, this will trigger a default event pursuant to which the lender has the right to terminate the facility agreement and demand payment of all outstanding amounts, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

B. Future Financing

In the future, the Company may need to obtain financing from commercial banks, government lenders and/or other financiers to cover its working capital requirements or implement future growth plans. The Company's ability to obtain loans and facilities from lenders at lower costs or under acceptable terms depends on its future financial position, global economic conditions, financial market conditions, interest rates, credit availability from banks or third-party lenders, and lenders' trust in the Company. The Company may not be able to obtain such financing at all or at reasonable terms for any reason, including, for example, restrictions under any existing financing or lenders' perception of the Company or the Company's future results of operations, financial position and cash flows. Borrowing at variable interest rates may also make the Company vulnerable to increases in interest and/or commission rates (which may be significantly affected by factors beyond the Company's control, such as monetary and tax policies and global economic and political conditions), and the Company may not guarantee that it will be able to obtain such financings at reasonable terms or at all when necessary. Any increase in interest rates and commission rates, whether fixed or variable, applied by banks will lead to higher financing costs incurred by the Company, which will adversely affect its future profitability and ability to pay and fulfil its obligations to lenders. As a result, it may not be able to take advantage of business opportunities, such as acquisition opportunities, or to react to changes in market or industry conditions. The occurrence of any of the above would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-30 Risks Related to the Company's Reliance on Leased Properties

As of the date of this Prospectus, the Company does not own any real estate property and all of the Company's sites, including its offices, are leased properties, most notably the Company's headquarters in Riyadh, Olaya, Olaya Street, Akaria Plaza 3. As of the date of this Prospectus, the Company has entered into forty-eight (48) leases for office properties, with terms ranging from one (1) to five (5) years (for more details about leases entered into by the Company, see Section 12.7 "**Real Estate**" of this Prospectus). Since the Company's rental contracts have a fixed term and are renewed at the request of the parties to the contract or automatically, any rental increase imposed by the lessors on the Company upon renewal will cause the Company to incur additional unforeseen liabilities, which will have a material adverse impact on the Company's business and financial position, and future prospects. In addition, the Company may not be able to renew all rental contracts, or such contracts may be renewed under different terms and conditions that may not be commensurate with the Company's plan and strategic objectives. If the Company decides to vacate any of its rented sites due to termination of rental contracts in accordance therewith or failure to renew such contracts, or due to the renewal terms' lack of alignment with the Company's plan, the Company will incur the additional costs of choosing suitable sites to rent, which may have a material adverse impact on the Company's business, results of operations, financial position, and future prospects.

In addition, in the past the Company was involved in a dispute with one of its lessors, which led to a commercial claim filed against the lessor for the amount of twenty-one million, seven hundred twenty-eight thousand, forty-seven Saudi riyals (SAR 21,728,047), which is still pending in the relevant courts (for further details about this claim, see Section 12.11.1 "**Litigation and Commercial Claims**" of this Prospectus). The Company has made a provision for this (for further details, see Section 6.5.8 "**General and Administration Expenses**" of this Prospectus) to reduce the future impact of this claim, if any, which may not be sufficient to cover the potential financial impact of this claim. Thus, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-31 Risks Related to Newly Implemented Corporate Governance Rules

The Board of Directors adopted Company's internal corporate governance manual from 11/06/1442H (corresponding to 24/01/2021G) (for further information regarding the Company's corporate governance charter, please refer to Section 5.9 "**Corporate Governance**" of this Prospectus). Such charter includes rules derived from the Corporate Governance Regulations issued by the CMA. The Company's successful implementation of corporate governance rules and procedures depends on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board, its committees and senior management, especially with regards to Board independence requirements, conflict of interest procedures and disclosure requirements. Failure to comply with the mandatory provisions of the Corporate Governance Regulations issued by CMA would result in regulatory penalties being imposed on the Company, which would have an adverse effect on the Company's operations, financial position, results of operations and future prospects.

2-1-32 Risks Related to Newly Formed Board Committees

The Company formed its Audit Committee and Nomination and Remuneration Committee on 13/06/1442H (corresponding to 26/01/2021G) and 11/06/1442H (corresponding to 24/01/2021G), respectively (for further information regarding the Company's Board committees, please refer to Section 5.4 "**Board Committees**" of this Prospectus). Failure by members of such committees to perform their duties and adopt a framework that ensures protection of the Company's interests and those of its shareholders may affect the Company's compliance with corporate governance and continuing disclosure requirements and the Board's ability to monitor the Company's activities through such committees, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-33 Risks Related to Lack of Experience in Managing a Publicly Listed Company

Since its incorporation, the Company has operated as a limited liability company until it was converted to a closed joint stock company on 08/05/1442H (corresponding to 23/12/2020G). Accordingly, not all members of the Company's senior management have experience of managing a public listed joint stock company in the Kingdom and complying with the laws and regulations specific to such companies. In particular, the internal and/or external training that the senior management will receive in managing a Saudi publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, would require substantial attention from the senior management, which may divert their attention away from the day-to-day management of the Company. Failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies would expose the Company to regulatory penalties and fines, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In particular, upon completion of the Offering and listing of the Company in the Exchange, the Company will be subject to the disclosure requirements of the relevant CMA and Exchange regulations. Although the Company is coordinating with stc regarding any disclosures or news published for the public, there is no guarantee that such coordination will continue in the future, or that the disclosure obligations of the Company will be compatible with disclosures by stc, which may subject the Company to regulatory penalties in accordance with the regulations of the CMA and the Exchange. Thus, this would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-34 Risks Related to Open Source Software

Some of the Company's proprietary platforms are distributed with software licensed by its authors or other third parties under "open source" licenses. The Company uses fifteen (15) open source programs (for further details, see Section 12.8.2 "**Other Intangible Assets**" of this Prospectus). Some of these licenses by nature contain requirements that the Company make available source code for modifications or derivative works it creates based upon the open source software, and that the Company licenses these modifications or derivative works under the terms of a particular open source license or other license granting third-parties certain rights of further use. If the Company combines its proprietary software with open source software in a certain manner, the Company could, under certain provisions of the open source licenses, be required to release the source code of its proprietary software. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide updates, warranties, support, indemnities, assurances of title, or controls on origin of the software. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an "as-is" basis.

In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect the Company's business. If the Company is found to have inappropriately used open source software, the Company may be required to re-engineer its platforms, to release proprietary source code, to discontinue the sale of its platforms in the event that re-engineering could not be accomplished on a timely basis, or to take other remedial action that may divert resources away from the Company's development efforts, any of which could adversely affect the Company's business, results of operations, financial condition, and future prospects. In addition, if the open source software the Company uses is no longer maintained by its owners, then it may be more difficult to make the necessary revisions to the software, including modifications to address security vulnerabilities, which could impact the Company's ability to mitigate cybersecurity risks or fulfill its contractual obligations to its customers. The Company may also face claims from outside parties seeking to enforce the terms of an open source license, including by demanding release of the open source software, derivative works or the Company's proprietary source code that was developed using such software. Such claims, with or without merit, could result in litigation, could be time-consuming and expensive to settle or litigate, could divert the Company's management's attention and other resources, could require the Company to lease some of its proprietary code, or could require the Company to devote additional research and development resources to change the software, any of which could adversely affect the Company's business.

Many of these risks associated with usage of open source software could be difficult to eliminate or manage, and could, if not properly addressed, negatively affect the performance of the Company's products and business, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-35 Risks Related to the Outbreak of COVID-19 or any Other Infectious Disease

In March 2020G, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of the disease COVID-19, caused by a novel strain of coronavirus, SAR S-CoV-2. The COVID-19 outbreak and certain preventative actions that governments, businesses and individuals have taken in respect of COVID-19 have resulted in global business disruption. The COVID-19 pandemic has adversely affected global economies, financial markets, global demand for oil and oil prices, and the overall environment in which the Company does business, and the extent to which

it may impact the Company's future results of operations and overall financial performance remains uncertain. As for the Company's operations, the pandemic contributed to increasing the demand for the ICT services and solutions segment, which played a role in the growth of the Company's net revenues by 31.1% between 2019G and 2020G, but there is no guarantee that this effect will continue with the decline of the pandemic and reduction of the associated preventive measures. In addition, despite the decrease in lower average days receivables outstanding in 2019G-2020G in general, the average days receivables outstanding for private sector customers increased from 140 days in 2019G to 159 days in 2020G due to the lack of liquidity that the private sector faced in Kingdom amid the pandemic.

The Kingdom, like other countries, adopted strict precautionary measures, limits on travel and public transport, requirements for people to remain at home and practice social distancing, and prolonged closures of workplaces and economic activities, which have severely disrupted the Kingdom's economy. There is no assurance as to how long and the manner in which any preventive measures will remain in place, including any re-introduction of such measures, introduction of further measures and the extent of any such measures. Any of the foregoing may result in a prolonged or further decline in oil prices, or a prolonged adverse effect on the Kingdom's economy, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, any outbreak of COVID-19 or any other infectious disease in the Company's facilities may result in closure of such facilities for certain periods of time or implementation of certain precautionary measures aimed at limiting physical attendance. The closure of the Company's facilities may result in disruption of the Company's business or incurring additional costs to comply with any precautionary measures, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-36 Risks Related to Non-Competition with stc

Five (5) of the Company's agreements with stc include certain restrictions on the Company regarding the licensing and distribution of products subject to those agreements to any third party without the prior approval of stc. Also, the Master Purchase Agreement includes restrictions that prevent the Company from assigning any of its employees involved in or in charge of projects under this agreement to carry out other similar works or projects during the entire term of the service request and for an additional period equal to the term of service request as of the completion date of the service request, during or outside working hours, provided that the additional period not exceed three (3) months. If stc does not agree to license and distribute these products, this will limit the Company's ability to attract more customers or provide additional products to existing customers other than stc, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2 Risks Related to the Market and Regulatory Environment

2-2-1 Risks Related to Changes in the Regulatory Environment

The Company's business is subject to numerous laws and regulations, such as the Competition Law, the VAT Law, the Companies Regulations, the Customs Law, the Labor Law, the Telecommunications Law, the Government Tender and Procurement Law and other regulations, as well as the requirements of the Company's regulators including withholding tax. The Company's business depends on the ability of the Company to comply with the requirements of these laws when it comes to management of its operations and throughout project execution.

In addition, the Company cannot foresee changes in the regulatory environment, and the Company's regulatory environment may be subject to numerous changes, including changes to data localization, data protection, cybersecurity controls and other regulations, the introduction of vertical and technology-specific regulations, changes to the tax law and the adoption of tougher antitrust, pricing, and corporate governance regulations, amongst others. Failure of the Company to comply with all the requirements and provisions of the laws applicable to the Company, or to which it is subject, may cause the Company to incur fines or penalties, which will have a material adverse effect on the Company's business, financial position, results of operations and future prospects. The Company may also modify its business practices to comply with these regulations and, accordingly, incur additional costs and fees. The Company does not guarantee that such future regulatory changes will not materially and adversely affect its business, financial position, results of operations and future prospects.

Changes in the regulatory environment may affect the Company's operations by restricting the development of the Company, its customers, operations, sales, or services, or increasing the level of competition. For example, existing localization requirements and data protection regulations in the Kingdom currently restrict the ability of international cloud and analytics providers to serve customers in the Kingdom. In addition, the Government may impose tariffs on the Company's services, such as the tariffs levied under CITC regulations, if it designates some of the Company's revenue sources related to telecommunication services and some cloud services products such as cloud connectivity services as subject to tariffs (for further details in this regard, see Section 6.5.30 "**Current Liabilities**" of this Prospectus). However, any relaxation to localization regulations in future could result in international players competing for the Company's business. This would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2-2-2 Risks Related to Data Protection Laws and Cybersecurity Controls

As an IT services provider, the Company collects and processes personal data and other data from its customers and prospective customers. The Company uses this information to provide solutions and applications to its customers, to validate user identity, to fulfill contractual duties and administer billing and support, to expand and improve its business, and to communicate and recommend products and services through its marketing and advertising channels. The Company may also share customers' personal data with certain third parties. As a result, the Company is required to comply with local laws and regulations, including data protection, data localization and cybersecurity requirements in the Kingdom and the other countries where the Company conducts its business.

For example, the Company may need to take account of the various cybersecurity controls that have been published by the National Cybersecurity Authority, including the Essential Cybersecurity Controls, the Cloud Cybersecurity Controls, the Critical Systems Cybersecurity Controls, and the National Cryptographic Standards, and the regulatory frameworks that have been issued by the Communications & Information Technology Commission, including the Cloud Regulatory Framework, the General Rules for Maintaining the Privacy of Users' Personal Data, the Procedures for Launching Services or Products based on Users' Personal Data or Sharing of Personal Data and the Internet of Things (IoT) Regulatory Framework, according to the nature of the transactions with customers, their project requirements, and the extent to which they are subject to these controls, which varies from case to case and requires the Company to monitor compliance with those controls.

Globally, new and evolving regulations regarding data protection, data localization, cybersecurity and other standards governing the collection, processing, storage, transfer, export, disclosure and use of personal data impose additional burdens for the Company due to increasing compliance standards that could restrict the use and adoption of the Company's solutions and applications. Future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could impair the Company's ability to collect, process, store, transfer, export, use or disclose personal data, increase its costs and impair its ability to maintain and grow its customer base and increase its revenue. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may require the Company to incur additional costs and restrict its business operations. Such laws and regulations may require companies to implement privacy, security and cybersecurity policies, permit users to access, correct and delete personal data stored or maintained by such companies, inform individuals and regulators of security and/or personal data breaches that affect individuals' personal data, and, in some cases, obtain individuals' explicit consent to use, process, store, transfer, export and disclose personal data for certain purposes. If the Company, or the third parties on which it relies, fail to comply with applicable data privacy laws, cybersecurity controls, standards and regulations, the Company's ability to successfully operate its business and pursue its business goals could be harmed.

The Company's failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against the Company, including fines and public censure, claims for damages by customers and other affected individuals, damage to the Company's reputation and loss of goodwill, any of which could harm the Company's business, results of operations, financial position and future prospects. The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of the Company's services and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance. For example, the Company was previously subjected to a penalty for violations pertaining to the failure to protect user information and the failure to furnish CITC with required information, which included a fine of five million, two hundred thousand Saudi riyals (SAR 5,200,000). The Company has appealed the same and the appeal is still under consideration by the competent authorities as at the date of this Prospectus (for further details about the Company's existing violations, see Section 12.11 "**Litigation and Claims**" of this Prospectus). Thus, each of the above factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-3 Risks Related to Competition

The market for technology and IT services is intensely competitive, highly fragmented and subject to rapid change and evolving industry standards, and the Company expects competition to intensify. There can be no assurance that the Company will continue to effectively compete with other companies in the market. In addition, there may be one or more existing market leaders in any vertical or geography that the Company decides to expand into, including international companies. Such companies may be able to compete more effectively than the Company by leveraging their experience in doing business in such markets as well as their deeper industry insight and greater brand recognition among customers (for further information, please refer to Section 2.1.16 "**Risks Related to the Company's Use of a Trademark Owned by stc and Protection of Intellectual Property Rights Used by the Company**" of this Prospectus). In addition, while international competitors currently account for a relatively small share of the IT services market in the Kingdom, this is expected to increase in the future. The Company may also face competition from national "champions" promoted by the government in selected industry segments.

The IT services market, both in the Kingdom and internationally, is rapidly changing in terms of technology, user requirements, and industry standards, development and modernization of products newly introduced to the market, and

the Company expects to face competition with regards to products or higher prices. Strong competition for products and prices can result in increased costs and expenses, including advertising, marketing, future sales, research and development costs, product discounts, and product replacement, marketing support, and ongoing product-related service fees. In addition, current competitors may establish partnerships with each other or with third parties that will improve and develop their resources. As a result of these acquisitions, current key competitors of the Company may need to develop new technologies and user or customer requirements, allocate greater resources to sell or offer their solutions, initiate or stop price competition, take advantage of other available opportunities more quickly, or develop and expand their offerings more quickly and widely than the Company. Competitors may redouble their products and services, which will reduce the Company's current market share. Thus, each of the above factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-4 Risks Related to Compliance with Saudization Requirements

In accordance with the Saudization requirements, all companies operating in the Kingdom, including the Company, must employ and maintain a certain percentage of Saudi employees. Such percentage varies based on the activity of each entity as set out under the "Nitaqat" program. The Ministry of Labor approved an amendment to the "Nitaqat" program under the name of "Nitaqat Mawzon" (Balanced Nitaqat) in order to improve market performance and develop and eliminate the non-productive Saudization. It was supposed to come into effect on 12/03/1438H (corresponding to 11/12/2016G). However, in response to private sector demands for additional time to achieve the Saudization rate, the Ministry of Labor postponed the implementation of such program until further notice, and, as of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" program, points would be calculated based on five factors, namely: (i) Saudization rate; (ii) average wage for Saudi employees; (iii) percentage of female Saudization; (iv) job sustainability for Saudi employees; and (v) percentage of Saudi employees with high wages. As of the date of this Prospectus, the existing framework under "Nitaqat" remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period.

The Company is currently in compliance with the Saudization requirements as of the day of this Prospectus and has obtained "Platinum" status under the Nitaqat program (for further information about the Company's Saudization status, please refer to Section 4.10.3 "**Saudization and Nitaqat**" of this Prospectus). However, the Company may not be able to continue to comply with the Saudization and "Nitaqat" program requirements. In such case, the Company will face penalties by governmental authorities, such as suspension of work visa requests, suspension of requests for transfer of sponsorship for non-Saudi employees and exclusion from governmental tenders and governmental loans. The Company may not be able to recruit Saudi employees under favorable conditions, if at all, or maintain its current Saudi employees, which in turn would affect its ability to meet the required Saudization percentage. There may be a significant increase in costs of salaries in the event that the Company hires a larger number of Saudi employees. The occurrence of any of the above would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition to the foregoing, the Kingdom has implemented a number of reforms aimed at increasing Saudi employees' participation in the labor market, including imposing fees on non-Saudi employees employed at Saudi institutions as well as fees on residency permits of non-Saudi employees' family members. The non-Saudi employees fee became effective on 14/04/1439H (corresponding to 01/01/2018G) while the residency permit fees became effective on 07/10/1438H (corresponding to 01/07/2017G), noting that such fees increased gradually up to SAR 9,600 annually per employee in 2020G. As of 31 December 2020G, non-Saudi employees constituted 42% of the Company's total employees. Implementation of such fees and increases increased governmental fees paid by the Company for its non-Saudi employees, which amounted to SAR 23.4 million in 2020G. In addition, an increase in fees payable by non-Saudi employees for their family members resulted in higher living costs, which may affect the attractiveness of the Kingdom for such employees who may look to relocate to other countries with lower living costs. Consequently, high government fees and difficulty in maintaining non-Saudi employees would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-5 Risks Related to the Kingdom and the Global Economy

The Company's operations and customer base are located in the Kingdom, and, therefore, its performance, results of operations and growth prospects are affected by the general economic condition in the Kingdom and globally. Any economic downturn in the Kingdom or in the oil and gas industry may adversely affect the Company, as customers (particularly government and semi-government customers) may reduce or defer projects for which they utilize the Company's services or products, which would adversely affect demand for such services or products. This, in turn, would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, the Kingdom's economy is highly dependent on revenues from oil, which play a significant role in the Kingdom's economic plan and gross domestic product. Any decrease in oil prices will result in an economic slowdown and/or slowdown in the government's spending plans, which would affect all segments of the Kingdom's economy and would subsequently have an adverse effect on the Company's business, results of operations, financial position, and future prospects. It is worth noting that the economy of the Kingdom, as with the economies of many other countries, is

currently experiencing significant disruption as a result of the outbreak of the novel coronavirus disease (“**COVID-19**”) (for further information regarding the risks related to COVID-19, please refer to Section 2.1.35 “**Risks Related to the Outbreak of COVID-19 or any Other Infectious Disease**” of this Prospectus), with one such disruption being the steep decline of oil prices during the first quarter of 2020G. There can be no assurance that economic conditions in the Kingdom will not worsen in the future as a result of a decrease in oil prices or otherwise, which would have an adverse effect on the Company’s business, results of operations, financial position, and future prospects.

2-2-6 Risks Related to Political and Security Risks in the Middle East

The Company’s primary operations and customer base are located in the Kingdom. The Kingdom and the wider Middle East region are subject to a number of geopolitical and security risks. Any geopolitical events or any future developments in the geopolitical situation may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve the Kingdom), and, therefore, investments in the Middle East region are characterized by a significant degree of uncertainty. Any unexpected changes in the political, social or other conditions in countries within the Middle East region, or any terrorist attacks or acts of sabotage in the future targeting the Kingdom, may have an adverse effect on the market in which the Company operates, its ability to retain and attract customers and investments that the Company has made or may make in the future, which, in turn, would have an adverse effect on the Company’s business, results of operations, financial position, and future prospects.

2-2-7 Risks Related to Increased Costs

The Company’s performance depends on its ability to maintain profitability by setting and providing reasonable prices for its products and services and its capacity to sustain any higher costs of products or services provided to its customers by increasing the prices of those products or services.

The Company cannot fully control the prices of its products or services in line with any increase in costs, since these prices depend on market supply and demand. Moreover, the Company cannot fully control its costs, given that it is subject to a number of factors that may affect these costs, including technical factors, the regulatory and economic environment, the Company’s strategy, and distribution of its sales between different products and services. For example, CITC introduced charges effective as of 2019G. These charges are government fees for communication, internet and some cloud services. In this connection, the Company incurred charges that amounted to SAR 115.85 million during the year ended 31 December 2019G (representing 2.2% of total net revenues during the year ended 31 December 2019G) and SAR 123.8 million during the year ended 31 December 2020G (representing 1.8% of total net revenues in 2020G). The Company’s cost items also include, for example, hardware and software (which accounted for 32.3%, 31.6% and 25.4% of the Company’s net revenues in 2018G, 2019G and 2020G, respectively), professional services (which represented 12.0% and 13.3% and 14.1% of the Company’s net revenues in 2018G, 2019G and 2020G, respectively) and employee costs related to cost of revenue (which constituted 5.2%, 4.8% and 3.8% of the Company’s net revenues in 2018G and 2019G and 2020, respectively). Consequently, if costs of operation, production or services provided increase, with the Company being unable to raise the prices of its products and services in line with the increase in costs, the Company’s profitability will be significantly affected, which will have a material impact on the Company’s business, results of operations, financial position, and future prospects.

2-2-8 Risks Related to Foreign Exchange Rates

Some of the Company’s transactions are denominated in currencies other than the Saudi Riyal, particularly the US dollar. As part of the Kingdom’s policy, the Saudi Riyal, as of the date of this Prospectus, is pegged to the US dollar at an exchange rate of 3.75 Saudi riyals per US dollar. However, there is no guarantee that the exchange rate of the Saudi Riyal against the US dollar will be stable. These fluctuations in the value of the Saudi Riyal against foreign currencies (including the US dollar) used by the Company may result in increased expenses, which will have a material adverse effect on the Company’s business, results of operations, financial position, and future prospects.

2-2-9 Risks Related to Tax and Zakat

The Company is subject to Zakat and tax requirements in the Kingdom. Any increase of Zakat and/or tax requirements applicable to the Company may adversely affect its profitability. The Company submitted its Zakat returns on an individual basis until 2008G, and, as of 2009, the Company submitted its consolidated Zakat returns with stc. The Company has submitted Zakat and tax returns for the financial years up to 2020G, and paid Zakat and tax dues within the required time. The Company obtained the Zakat certificates from the Zakat, Tax and Customs Authority for all years up to 2020G, and has received the final Zakat certificate. The Company also obtained the final Zakat assessments for all years up to 2008G, i.e., the last year in which the Company submitted Zakat returns on an individual basis. From 2009G onwards, the Company submitted its Zakat returns through stc, given the responsibility rests with stc to obtain the final assessment from the Zakat, Tax and Customs Authority. However, there is a risk that the Zakat, Tax and Customs Authority may claim any Zakat differences or request payment of additional amounts from stc for any of the open years and thus stc may claim such amounts from the Company. It is worth noting that stc declared and undertook to the Company that it would not hold the Company responsible for any Zakat amounts imposed on stc by the Zakat,

Tax and Customs authority relating to Zakat obligations resulting from inspection and assessment of consolidated Zakat returns with stc. As of the date of this Prospectus, the Company does not have any allocations for Zakat liabilities related to the Parent Company (for further details about the Company's Zakat status, see Section 12.9 "**Zakat Status of the Company**" of this Prospectus). Any differences in the Zakat, Tax and Customs Authority's assessment of the Company's or stc's Zakat would have an adverse effect on the Company's business, financial condition, results of operations and prospects. It should be noted that there are claims against stc, which are an open objection related to the assessment for 2008G and 2009G, which is currently under review by the General Secretariat of Tax Committees (formerly the Appeal Committee). Ultimately, the Parent Company received the 2015G-2017G assessments from Zakat, Tax and Customs Authority for SAR 865 million, and the Parent Company objected to these assessments. As of the date of this Prospectus, the Company does not have any allocations for Zakat liabilities related to stc.

It should be noted that the Company filed a claim against the Zakat, Tax and Customs Authority before the Committee for Resolution of Tax Violations and Disputes regarding rejection of the Company's application to leverage the Agreement to Avoid Double Taxation signed between KSA and UK. As at the date of this Prospectus, the claim is pending consideration by the Appeal Committee (for further details see Section 12.11.4 "**Withholding Tax Dispute with the Zakat, Tax and Customs Authority**" of this Prospectus). If no judgment is issued in favor of the Company, the Company will claim withholding tax from the contracting party.

Prior to the Offering, the Company submitted Zakat returns within the stc Group as a wholly-owned subsidiary of stc. Pursuant to the applicable regulations of Zakat, Tax and Customs Authority, following the Offering, the Company will separate its results from the results of stc Group and submit its Zakat returns separately for Zakat purposes, and will notify the Zakat, Tax and Customs Authority of the submission of separate returns. This transition may entail significant management time and attention.

The Kingdom issued the Value Added Tax ("**VAT**") Law, which became effective on 14/04/1439H (corresponding to 01/01/2018G). This law imposes a VAT of 5% on a number of products and services, including the Company's products. On 17/09/1441H (corresponding to 10/05/2020G), and as a response to the economic impact of the COVID-19 pandemic, the Kingdom announced increasing VAT to 15%, which was effective on 10/11/1441H (corresponding to 01/07/2020G). While the increase in the VAT is new and its impact is not yet determined, VAT, by its nature, is borne by the end consumer, and, therefore, the Company expects an increase in the selling price of its products. Such increase or any future increase may affect customer spending and competition in the market, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, the implementation of VAT is relatively new, and the Company may commit errors while implementing the regulatory requirements, which may result in penalties imposed by the Zakat, Tax and Customs Authority in accordance with the VAT Law, which, in turn, would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-10 Risks Related to Floods, Earthquakes and Other Natural Disasters or Disruptive Acts

The occurrence of natural disasters or disruptive acts that are beyond the Company's control may adversely affect the Company's facilities and/or employees. Any damages to the Company's facilities as a result of floods, earthquakes, storms or other natural disasters, or as a result of disruptive acts such as terrorist attacks or acts of sabotage, would result in incurring significant costs and/or suspension of the Company's operations, which, in turn, would result in an increase in production costs and decrease in revenues. The occurrence of any of those events would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-11 Risks Related to the Competition Law

In the event that the Company has a dominant position in the market or is classified as a dominant company by the General Authority for Competition, the Company's operations will be subject to the conditions and controls of the Competition Law, which is intended to protect fair competition in the Saudi markets and encourage and establish market rules and freedom and transparency of prices. In the event that the Company violates the provisions of the Competition Law and a judgment is issued against it for such violation, the Company may be subject to a fine of ten million Saudi riyals (SAR 10,000,000) or more imposed by the General Authority for Competition in the future. In addition, the General Authority for Competition has the right to request that the Company's activities be suspended temporarily or permanently (partially or completely) in the event of repeated violation. Moreover, instituting proceedings may be long and costly to the Company. Thus, each of the above factors would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-3 Risks Related to the Offer Shares

2-3-1 Risks Related to Effective Control Post-Offering by stc

Upon completion of the Offering, stc will own ninety-four million, eight hundred thousand (94,800,000) shares, representing 79% of the Company's capital. As a result, stc will be able to control matters requiring shareholder approval and will be able to significantly influence the Company's business, including matters such as election of Directors, material corporate transactions, dividend distributions and capital adjustments. The interests of stc may conflict with the interests of other shareholders in the Company (including Subscribers), and stc may prevent the Company from adopting certain decisions or actions that may protect the interests of other shareholders in the Company. Such powers may be used in a way that may have a material adverse effect on the Company, which in turn will have a material adverse effect on the Subscribers' anticipated returns and/or result in the loss of all or a portion of their investment in the Company.

2-3-2 Risks Related to Absence of a Prior Market for the Shares

There has been no public market for the Company's Shares. Therefore, there is currently no market for the Company's shares, and there may not be an active and sustainable market for the Company's Shares following the Offering. If there is a market, it may not last. The absence or discontinuation of an active market with high liquidity could have an adverse impact on the price of the Company's Share trading, or may lead to Subscribers' partial or complete loss of investment in the Company, which would affect the expected returns of the Subscribers.

2-3-3 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon a variety of factors that have impacted and may in the future impact the Company and the value of the Shares.

The Offer Price may not be indicative of the price at which the Shares will be traded on Tadawul following completion of the Offering, and the Subscribers may not be able to resell the Offer Shares at the Offer Price or above or may not be able to sell them at all.

The trading price of the Shares may be volatile and may fluctuate significantly in response to a variety of factors, many of which are beyond the Company's control, including but not limited to:

- the Company's financial results and future business prospects;
- variations in the Company's results of operations or those of its competitors;
- actual or anticipated fluctuations in the Company's quarterly or annual results of operations;
- downgrades or changes in research coverage by securities research analysts with respect to the Company, its competitors or the industry in which the Company operates;
- the public's reaction to the Company's announcements and press releases;
- failure of the Company or its competitors to meet analysts' projections;
- additions or departures of key personnel;
- changes in the Company's business strategy;
- general conditions in the industry in which the Company operates and the markets in which it competes;
- changes in the regulatory environment;
- changes in the applicable accounting rules and policies;
- political or military developments or terrorist attacks in the Middle East or elsewhere;
- political, economic or other developments in or affecting the Kingdom;
- release or expiry of the Lock-Up Period or other transfer restrictions on the Shares;
- natural and other disasters; and
- changes in general market and economic conditions.

Any of these factors may result in large and sudden changes in the trading volume and market price of the Shares, which, in turn, may lead to an adverse effect on the Subscribers' anticipated returns and/or result in the loss of all or portion of their investment in the Company.

2-3-4 Risks Related to Company's ability to Distribute Dividends

The Company may not be able to pay dividends, and the Board may not recommend and the Shareholders may not approve the payment of dividends for any reasons. Future distribution of dividends will depend on several factors, including, among other things, future earnings, financial position, cash flow, working capital requirements, capital expenditures and distributable reserves of the Company (for further information regarding the Company's dividend distribution policy, please refer to Section 7 "**Dividend and Distribution Policy**" of this Prospectus).

In addition, the Company may be subject to the terms of its future financing agreements, which may include restrictions on making any dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders will not receive any return on investment in the Shares unless they sell the Shares at a price higher than the Offer Price. There is no assurance that the Company will be able to distribute dividends to the Shareholders, or that dividend distribution will be recommended by the Board or approved by the Shareholders, which may have a material adverse effect on the Subscribers' anticipated returns on the investment in the Offer Shares.

2-3-5 Risks Related to the Sale of a Large Number of Shares in the Market

Sale of a large number of the Shares on the market after the completion of the Offering, or the perception that such sale will occur, may adversely affect the market price of the Shares. Upon the successful completion of the Offering, stc will be subject to a Lock-up Period of six (6) months following listing of the Company's shares in the Exchange, during which it may not dispose of any of the Shares it owns. The sale of a substantial number of Shares by stc following the expiration of the Lock-Up Period, or the perception that such sale may occur, would have an adverse effect on the market for the Shares and may result in a lower market price, which could have a material adverse effect on the Subscribers' anticipated returns on the investment in the Offer Shares.

2-3-6 Risks Related to the Issuance of Additional Shares in the Market After the Lock-up Period

The Company does not currently intend to issue additional shares following completion of the Offering. If the Company decides to raise additional capital by issuing new shares, this will adversely affect the share price in the market and dilute the shareholder ownership percentage in the Company if they do not subscribe to new shares at that time.

2-3-7 Risks Related to Research Published about the Company and stc

The trading price and volume of the Shares will depend in part on the research that securities or industry analysts publish about the Company and its business (or, indirectly, on stc and its business). If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers the Company and/or stc downgrades their recommendations on the Shares or publishes inaccurate or unfavorable research about the Company's and/or stc's business, the market price of the Shares could decline. In addition, if one or more research analysts cease to cover the Company or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price for the Shares to decline significantly. Accordingly, this could have a material adverse effect on the Subscribers' anticipated returns on the investment in the Offer Shares.

2-3-8 Risks Related to Investing in Emerging Markets

Investing in securities in emerging markets, such as the Kingdom, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate and are familiar with the significance of the risks involved in investing in emerging markets. Saudi Arabia's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. The Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries. Materialization of any of the risks associated with investment in securities in emerging markets may cause the market price for the Shares to decline significantly. Accordingly, this could have a material adverse effect on the Subscribers' anticipated returns on the investment in the Offer Shares.

3- Market and Industry Information

- 3-1 Industry Overview
- 3-2 Saudi Arabia Macroeconomic Environment
- 3-3 The Global Wave of Digitalisation
- 3-4 ICT Market in the Kingdom
- 3-5 Drivers and Trends in the Market
- 3-6 Competitive Landscape and Current Situation
- 3-7 Differentiated Segmentation of the Company Versus Overall Market

3- Market and Industry Information

In this Prospectus, the Company has used publicly available information and market data from independent industry publications and market research, including publications and research prepared by the Market Consultant Arthur D. Little (“**ADL**”) and International Data Corporation (“**IDC**”). The Company and ADL have adapted this data from IDC baseline market data from 2018G.

For all matters on which any information has been obtained from third parties, the source of such information has been identified. The information contained in this Prospectus was obtained from independent market research conducted by relevant third parties, and it should not be relied upon in making, or refraining from making, any investment decision. The Market Consultant does not, nor do any of its shareholders, partners, subsidiaries, directors, managers or any of their relatives own any shares or interest of any kind in the Company. The Market Consultant has given and not withdrawn at the date of this Prospectus its written consent for the use of its name, logo, and the market information supplied by it to the Company in the manner and format set out in this Prospectus.

The industry publications and reports generally state that the information they contain has been obtained from sources believed to be broadly reliable. As far as the Company is aware and able to ascertain, no information or facts have been omitted which would cause the information reproduced to be inaccurate or misleading. The Company has not independently verified all facts and statements, and therefore cannot guarantee their accuracy or completeness. Hence, the Company assumes no liability for the completeness or accuracy of the information provided. Prospective investors should be aware that statistics, data, statements and other information relating to markets, market size, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company’s future performance and the future performance of the industry in which it operates. The forward-looking statements and projections in this section do not guarantee future performance.

The Directors believe that third party information and data included in this Prospectus is reliable, including information and data derived from the report submitted by the Market Consultant. However, such information and data have not been independently verified or checked for accuracy and completeness by the Company, the Directors, the Current Shareholders or the Advisors, and thus none of them bears any liability for the accuracy or completeness of said information.

3-1 Industry Overview

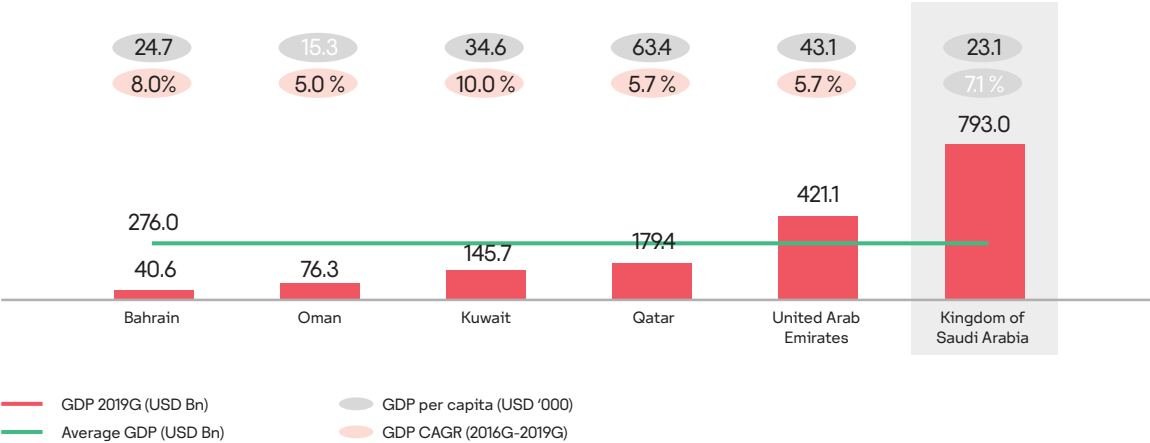
The Company competes in the information and communications technology (“**ICT**”) market by offering business-to-business (“**B2B**”) solutions for its customers. The ICT market can be broken down into (i) information technology services (“**IT services**”) and (ii) connectivity solutions. IT services include managed networks, Internet of Things (“**IoT**”) and digital services, equipment support, cloud and data centre, application services, cybersecurity and system integration solutions. Connectivity solutions include mobile communication and data, fixed voice and data services.

3-2 Saudi Arabia Macroeconomic Environment

The economy of the Kingdom is the largest economy in the Gulf Cooperation Council (“**GCC**”) region, representing nearly three times the average GDP of the countries of the region. It is also one of the most advanced economies of the Gulf, with a high GDP per Capita of twenty three thousand one hundred thirty nine (23,139) US dollars.

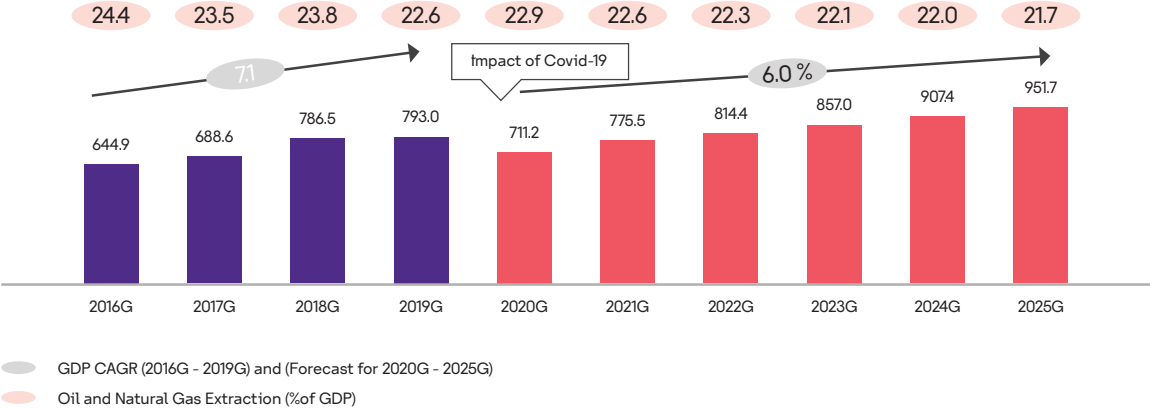
Although the oil and gas sector still represents a large part of the economy of the Kingdom (above 20% at the start of 2025G according to Oxford Economics), over the years the Kingdom has decreased its reliance on the revenues of oil and gas (lower by around 2% between 2016G and 2019G).

Figure 2: Saudi Arabia GDP vs. Other GCC Countries - GDP 2019G (USD Bn) and GDP per Capita 2019G ('000)



Source: Euromonitor

Figure 3: GDP Growth and Decreasing GDP Share of Oil & Natural Gas - GDP 2025G (USD Bn)



Source: Fitch Solutions and Oxford Economics

In 2016G, the Council of Ministers approved a social and economic reform plan called Saudi Vision 2030, with the goal of reducing the Kingdom’s economic dependence on oil and converting the region into a technological hub. Saudi Vision 2030 is expected to transform the Kingdom to become a more digitalized economy, society and nation with an expanding e-government. The Kingdom has already made strong progress with e-government, as online services have expanded over the last decade to include online job searches, employment programs, e-learning services, traffic, passports, civil affairs, and government services among others. The plan is expected to drive sector digitalization in areas such as government, telecoms, media, entertainment, financial services, manufacturing, healthcare and education, which will increase the demand for IT services. Artificial intelligence (“AI”), robotics, augmented reality, virtual reality, cloud, IoT and e-commerce are some of the new technologies that are expected to be adopted under Saudi Vision 2030.

Saudi Vision 2030 will also act as a catalyst for the development of new mega projects, smart city clusters and support small medium enterprises (“SME”) in the Kingdom. This will drive economic growth and improve the quality of life of the Kingdom’s citizens. Several large megaprojects such as the Riyadh Metro and the King Abdullah Financial District as well as smart cities projects including NEOM, Al-Qiddiya Entertainment City and King Abdullah Economic City are currently under development. The General Authority for SMEs (“Monshaat”) also announced that its goal is to increase the contribution from SMEs from 20% to 35% by 2030G, as part of the Saudi Vision 2030 plan.

3-3 The Global Wave of Digitalisation

Over the past decade, the omnipresence of the internet, rise of mobile usage and broadening use of telecommunications has made digital transformation a top priority for both public and private entities. Corporates of all sizes and across all sectors including retail, services, oil and gas, banking and healthcare have placed increasing emphasis on further integrating digital solutions and technology into their operations. This digitalisation can take place in multiple ways such improving user experience, leveraging cloud computing capabilities (public or private), automating processes via AI or Robotic Process Automation (“RPA”), protecting data from cyber threats and customizing software and application solutions for internal usage and their customers. Companies today that do not adopt digitalization, risk falling behind their competitors. As mentioned by Forbes: “Now every company is a software company. The era of separating traditional industries and software industries is over and those who fail to adopt right now will soon find themselves obsolete.”

IT services companies have evolved in order to adapt to these new needs. They continue to offer their historical services (managed services, process outsourcing, etc.), but have enhanced their arsenal with a next-gen offering, capable of fulfilling the digital transformation needs of their customers. IT services companies are progressively moving from offering large, homogeneous systems and unusable data sets, to modular and flexible architectures that will offer a frictionless experience and allow for next-gen data analytics.

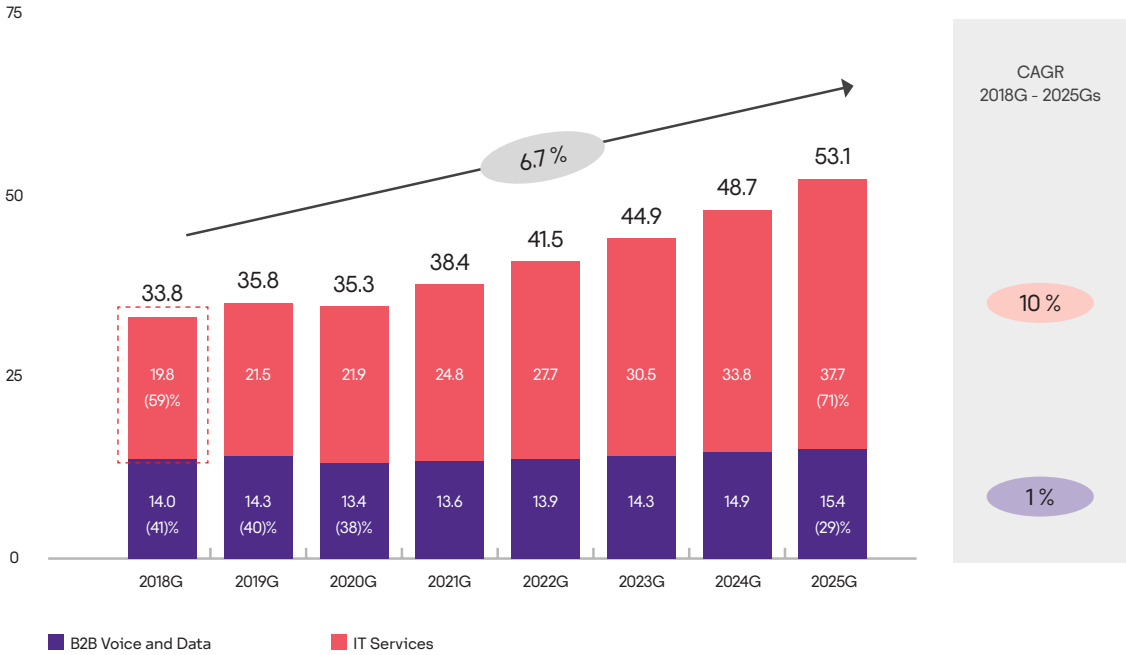
3-4 ICT Market in the Kingdom

3-4-1 A Large and Fast-Growing Domestic ICT Market

The Company operates in the B2B ICT market in the Kingdom, which amounted to thirty three billion and eight hundred million (33,800,000,000) Saudi riyals in 2018G and projected to grow at a Compound Annual Growth Rate (“CAGR”) of 6.7% to reach fifty three billion and one hundred million (53,100,000,000) Saudi riyals in 2025G. The market is subdivided into IT services (59% in 2018G) and B2B Voice and data (41% in 2018G). In more developed markets, IT services represent a larger portion of up to 75-85% of B2B ICT services.

The IT services sector is expected to be the main driver of market growth with an expected CAGR of 10% from 2018G to 2025G, while the B2B Voice and Data sector is expected to grow by 1% per annum over the same period. It is expected that IT services will represent an increasing portion of the total B2B ICT services market in the Kingdom in the future, and will reach a level similar to that observed in the more developed markets. The growth in IT services is further driven by the Saudi Vision 2030 plan to transition nationally to digitalization and increase spending on information technology.

Figure 4: KSA B2B ICT Services Market – Size by Category (SAR Bn)



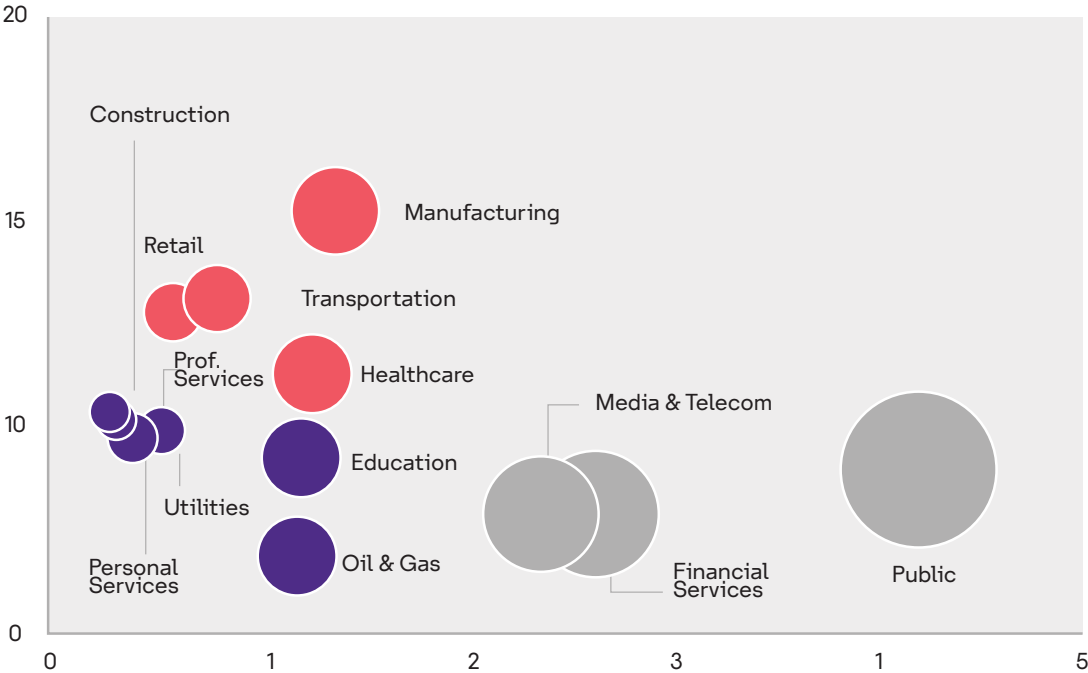
SAR *Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

The largest segments within IT services include the (i) public sector – defined by demand for large-scale, end-to-end IT and system integration projects, (ii) financial services – driven by enterprise connectivity and IT services, mobile point-of-service and IoT solutions and (iii) media and telecommunications – characterised by strong dependence for IT integration services for networks, systems and infrastructure integration.

The fastest growing sectors in IT services include (i) manufacturing – driven by industrial IoT use cases, related cloud solutions and managed networks, (ii) transportation – driven by increased demand for IoT and applications, (iii) retail – driven by e-commerce and digital transformation resulting in increasing demand for cloud and application services and (iv) healthcare – increasing digitalization needs, emerging remote care and unified electronic medical record initiatives.

Figure 5: Industry Verticals - CAGR (2018G-2025G)

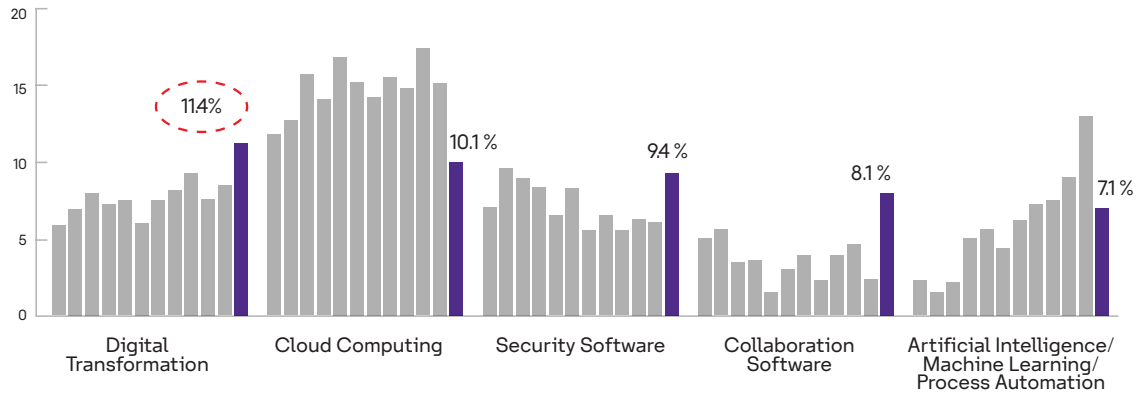


Source: The Company and Market Study Consultant derived this data from the market data of the IDC from 2018G.

COVID-19 is expected to have a minimal short-term impact on the overall B2B ICT services market. Short-term effects stemming from COVID-19 include a greater focus and targeted spending on areas for business resilience and business continuity measures. Furthermore, demand for IT services is expected to increase from the acceleration of the digital transformation, a trend that should continue in the long term.

Digital Transformation Became the Highest Tech Priority Post COVID-19

Figure 6: Top 5 Priorities with Largest Spending Increase Next Year (Q2 2017G-Q2 2020G)

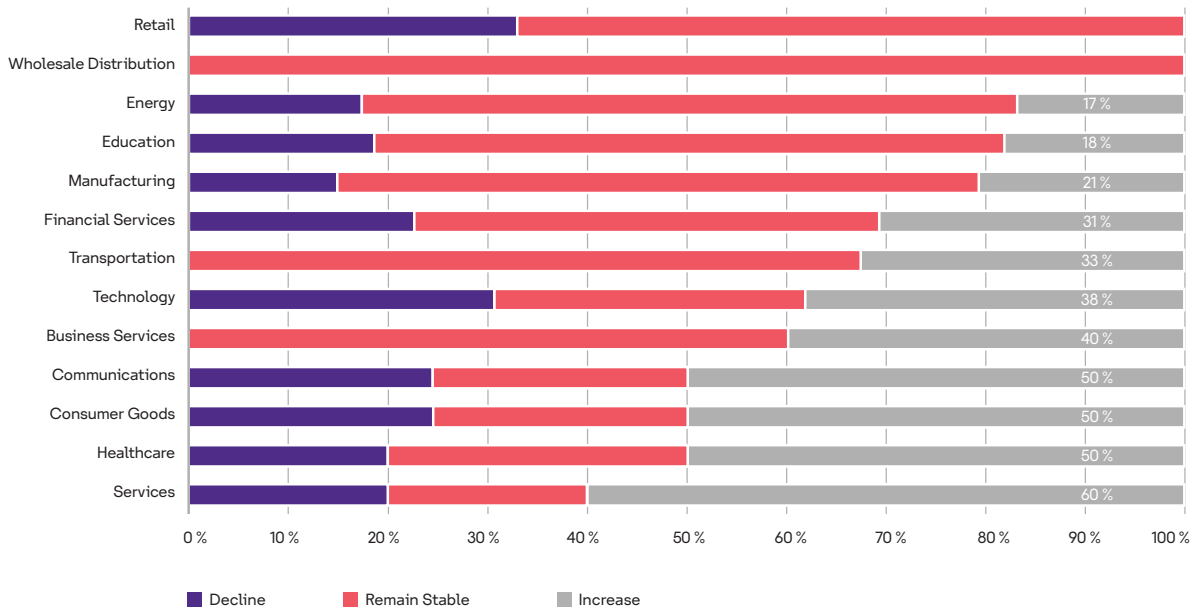


Source: Morgan Stanley Research

Despite the economic effect during the COVID-19 crisis, overall technology spending has remained resilient and at the forefront of corporates priorities across all sectors (with the exception of retail, one of the hardest hit industries during the crisis). As companies have reshaped their priorities and increased their focus towards faster digital transformation, this has resulted in a reluctance to decrease total spending across industries.

Technology Adoption Accelerated Post (COVID-19)

Figure 7: Technology Spend Expectations for Next 3 Years (% of Revenues)



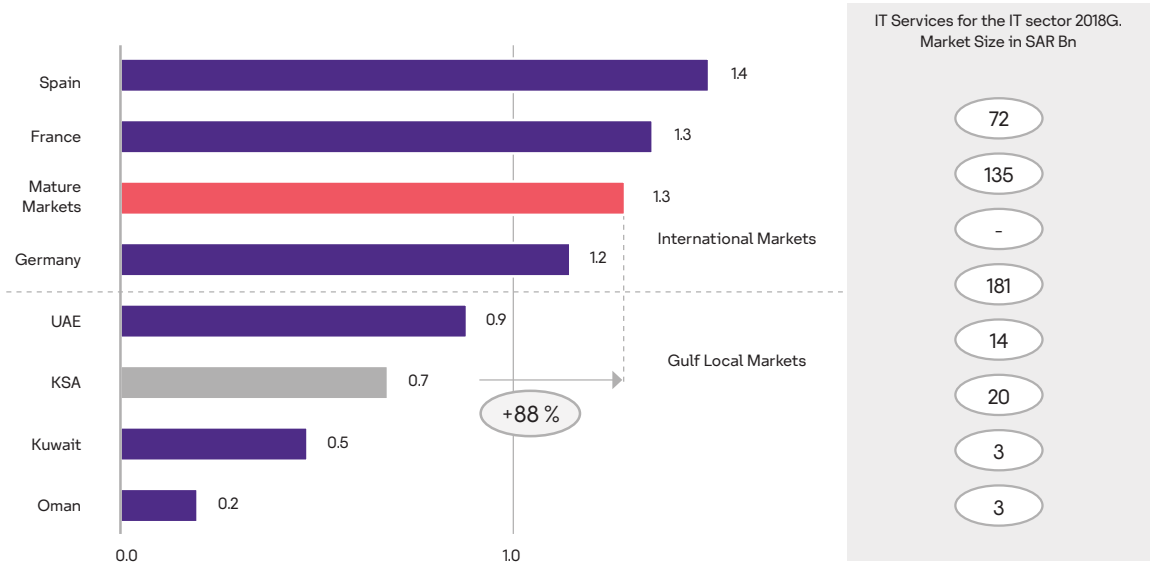
Source: Morgan Stanley Research

3-4-2 Underrepresentation of the Kingdom's IT Market within GDP vs. More Developed Economies

According to data extracted from the international Data Centre (CTBTO) market data for 2019G, spending on IT services currently stands at nineteen billion and eight hundred million (19,800,000,000) Saudi riyals, which represents only 0.7% of total GDP and therefore lags the 1.3% of mature markets, showing that the market in the KSA still has significant growth potential as the IT services spend catches up on what is the norm in mature markets. If the spending of KSA was to reach the level of mature markets, this would represent a nearly 88% uplift in spending for enterprise IT services.

The KSA market is also significantly younger and therefore provides significant advantages versus the US and European markets. For example, the KSA market is not encumbered by providers offering essentially legacy work packages like time & materials, and has more room to offer modern technology and infrastructures.

Figure 8: B2B IT Services Spend as a Share of GDP and Market Size – % of GDP



Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

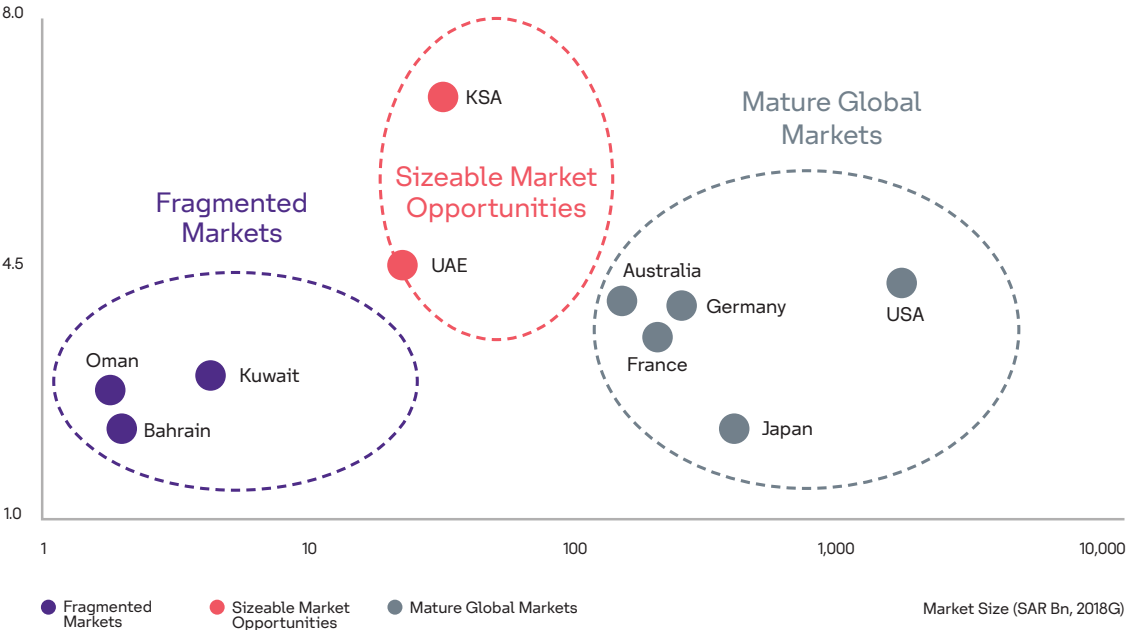
3-4-3 The Largest ICT Market in the Gulf Cooperation Council Countries and a Digital Hub for the Region

The Company currently operates in the biggest and fastest growing ICT services market in the GCC region. The Kingdom's B2B ICT services market is the largest market in the GCC region with a size of thirty three billion and eight hundred million (33,800,000,000) Saudi riyals (2018G), making it four to eight times larger than some of its peers in the fragmented markets (Oman, Kuwait, Bahrain). The UAE market is significantly smaller than the Kingdom's market, but represents the closest comparable IT services market to the Kingdom due to its similar level of market maturity.

The Kingdom is expected to be the fastest growing market in the region, with a growth rate of around 7.0% compared to around 2.0%-4.0% of its peers Bahrain, Oman and Kuwait. These fragmented markets are still in their embryonic phases and therefore currently present limited potential.

The Company operates in an attractive market in terms of both size and growth potential that can be further increased. The Kingdom is well on its way to becoming the digital hub of the GCC. On 30 August 2019G the Saudi Data and Artificial Intelligence Authority ("SDAIA") was established pursuant to a Royal decree. SDAIA is responsible for overseeing the strategies for national data and AI. The goal of SDAIA is to establish the Kingdom as a global leader in the digital world and to realize Vision 2030 aspirations of the region.

Figure 9: B2B IT Services Market - CAGR % (2019G-2025G)



* Defined as B2B connectivity and IT Services, including digital and cloud services, excluding software and hardware.
 Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

3-4-4 Market Segments and Evolution of Forecasts in the Kingdom

The overall B2B IT services market can be broken down into several categories. Every category in which the Company operates is expected to grow, led by cloud, IoT and digital services. Overall demand for IT services is expected to grow at a CAGR of around 10% between 2018G and 2025G.

A. System Integration:

System integration is the largest market in the IT services category and expected to grow at a CAGR of around 4% between 2018G and 2025G. This market also includes related hardware, such as the system integration hardware when part of a system integration bundle. The key drivers of value for system integration include mega-projects and mega smart-city clusters (e.g. NEOM). The digital transformation of government and large enterprises are also key drivers for this segment.

B. IoT and Digital:

IoT and digital is expected to grow at a CAGR of around 19% between 2018G and 2025G. The key drivers of value for the IoT and Digital include industrial robotics, smart energy management, 4th industrial revolution – characterized by the blurring of boundaries between the physical, digital, and biological worlds – digital ID, virtual classrooms, e-learning, eHealth and remote care and monitoring.

C. Application Services:

Application services is expected to grow at a CAGR of around 9% between 2018G and 2025G. The key drivers of value for application services include the digitalization where the need for applications sharing data and ideas with each other is a vital component for digital transformation; among all private and public enterprises.

D. Data Centre and Cloud:

Data centre and cloud is expected to grow at a CAGR of around 20% between 2018G and 2025G. The key drivers of value for data centre and cloud services are the change of approach from ‘cloud also’ to ‘cloud first’ and the multi-cloud environment which was further reinforced by COVID-19. A regulatory push for in-house data management in banking is also a key driver for this segment.

E. Equipment Services:

Equipment services is expected to grow at a CAGR of around 6% between 2018G and 2025G. The key drivers of value for equipment services are the digitalization of medium sized enterprises and demand for OPEX-based models post COVID-19.

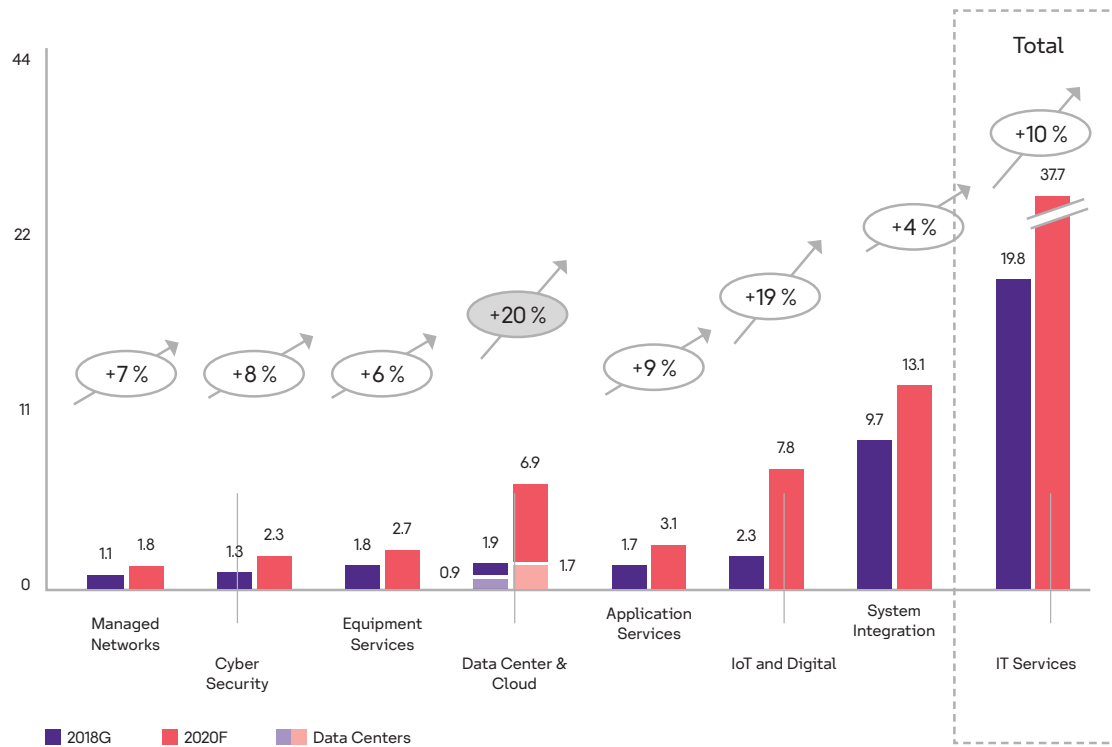
F. Cybersecurity:

The cybersecurity is expected to grow at a CAGR of around 8% between 2018G and 2025G and is supported by three key drivers. The first driver of growth is increased cyber threats. The second driver is the push by the government to form the National Cybersecurity Authority (“NCA”) to enhance the security stature of the country and its guidelines. The third driver is the establishment of the Saudi Central Bank (formerly the Saudi Arabian Monetary Authority) (SAMA) Cybersecurity Framework.

G. Managed Networks:

Managed networks is expected to grow at a CAGR of around 7% between 2018G and 2025G. The key drivers of value for managed networks are multi-vendor environments, the shift from capital expenditures to operating expenses, 24/7 monitoring and high uptime requirements.

Figure 10: KSA B2B IT Services Market by Category – Size (SAR Bn)



*Adjusted for the effects of (COVID-19).

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

3-4-5 System Integration Market

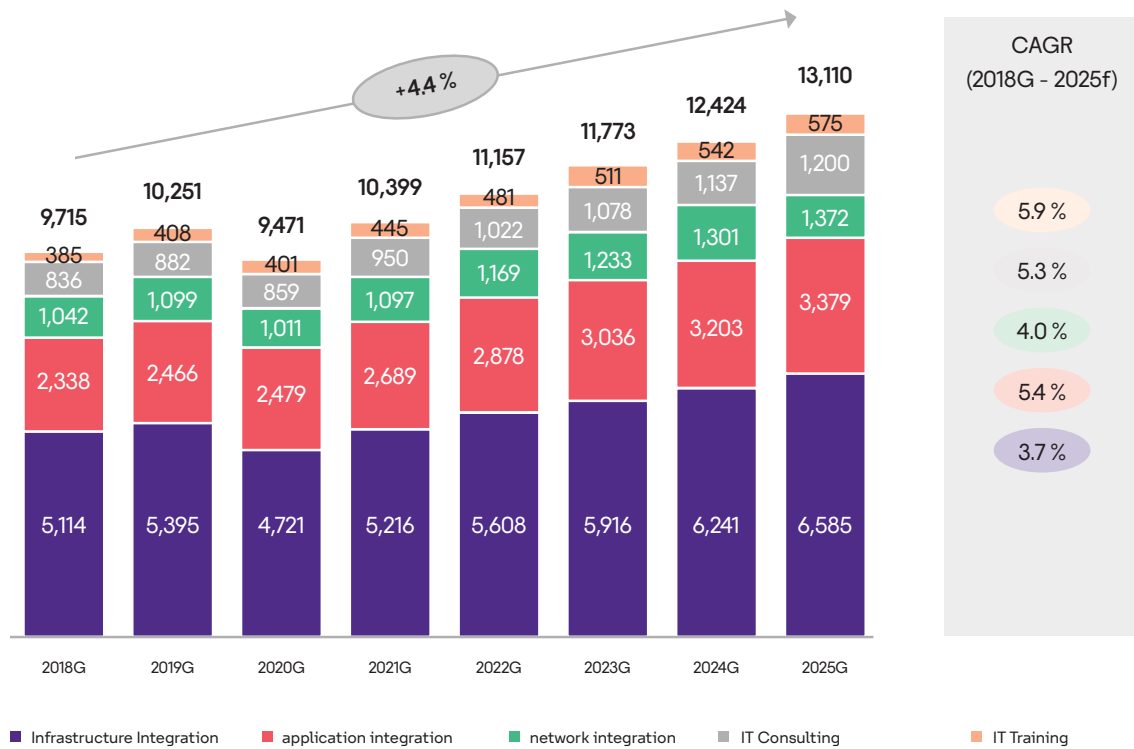
The system integration market is the largest market segment and is composed of five (5) different segments: IT training, IT consulting, network integration, application integration and infrastructure integration. The entire market is expected to grow at a CAGR of 4.4% between 2018G and 2025G and reach a size of thirteen billion (13,000,000,000) Saudi riyals.

Network integration and infrastructure integration will both be negatively impacted by COVID-19 over the short-term. However, long-term both segments are expected to show annualized growth of 4.0% and 3.7% respectively as the overall demand for connectivity and computing continues to rise.

Application integration is expected to gain traction as the overall economy becomes more digital. The segment is expected to grow by a CAGR of 5.4% between 2018G and 2025G to reach a size of SAR 3.4 billion. Application integration is largely unaffected by COVID-19.

The IT training sector and IT consulting sector are expected to grow at a CAGR of 5.9% and 5.3%, respectively, between 2018G-2025G.

Figure 11: System Integration – Size of Sub-segments Between 2018G-2025G (SAR Mn)



* Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

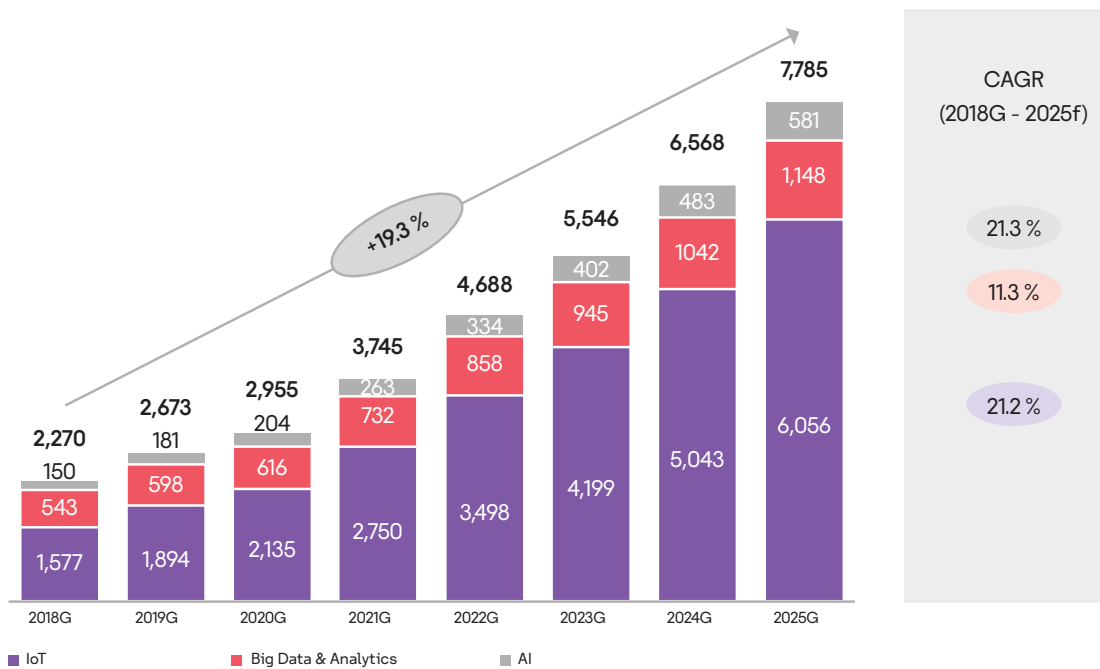
3-4-6 IoT and Digital Market

The IoT and Digital market is divided into three (3) segments: AI, big data and analytics and IoT.

Growth in IoT will be driven by increased usage across different industry verticals, leading to a quadrupling of the market size by 2025G to a market size of six billion and one hundred million (6,100,000,000). IoT is expected to grow at a CAGR of 21.2% between 2018G and 2025G, led by emerging use cases in manufacturing, healthcare and transportation. COVID-19 is expected to impact growth in 2020G as large initiatives are postponed and budgets are cut. However, IoT is expecting to rebound from 2021G onwards and return to double-digit growth.

Big data analytics maybe negatively impacted by regulatory initiatives which will limit the potential for data monetization. However, long-term the prospects for big data analytics remain strong given emerging new use cases.

Figure 12: IoT & Digital – Size of Sub-segments Between 2018G-2025G (SAR Mn)



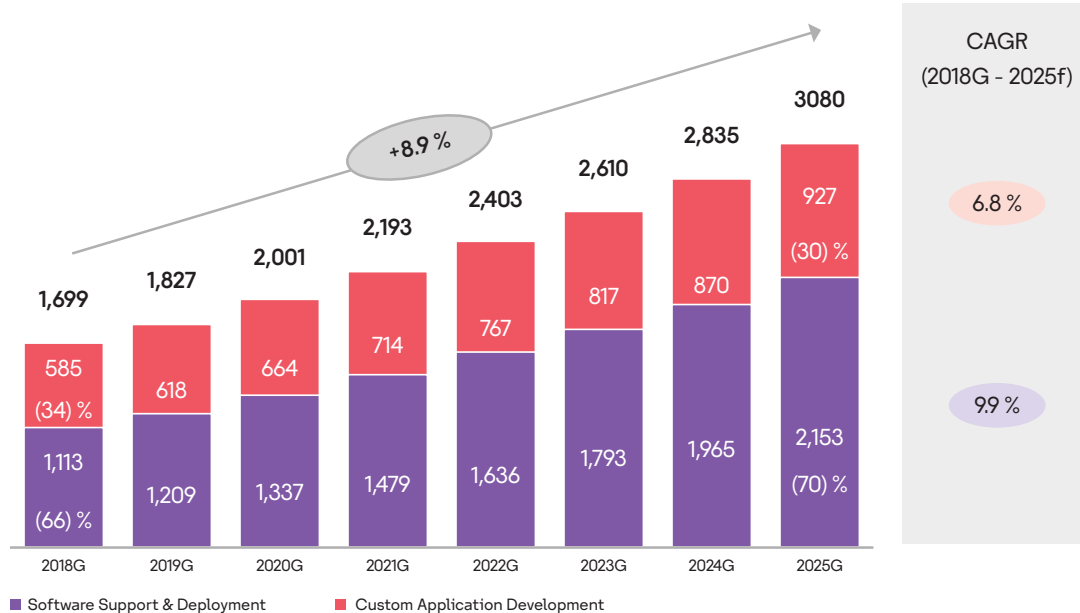
*Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

3-4-7 Application Services Market

The application services market is divided into two segments: custom application development and software support and deployment, where the size of the software support and deployment is SAR 1.1 billion (2018G) and represents 66% of application services. It is forecasted to grow at a strong CAGR of 9.9% between 2018G and 2025G, and is expected to reach two billion and two hundred million (2,200,000,000) Saudi riyals, while the custom application development is expected to grow by a CAGR of 6.8% over the same period. The application customization and development segments represent a third of the application services market and are key for securing business in the Managed Application Services category.

Figure 13: Application Services – Size of Sub-segments Between 2018G-2025G (SAR Mn)



*Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

3-4-8 Data Centre and Cloud Market

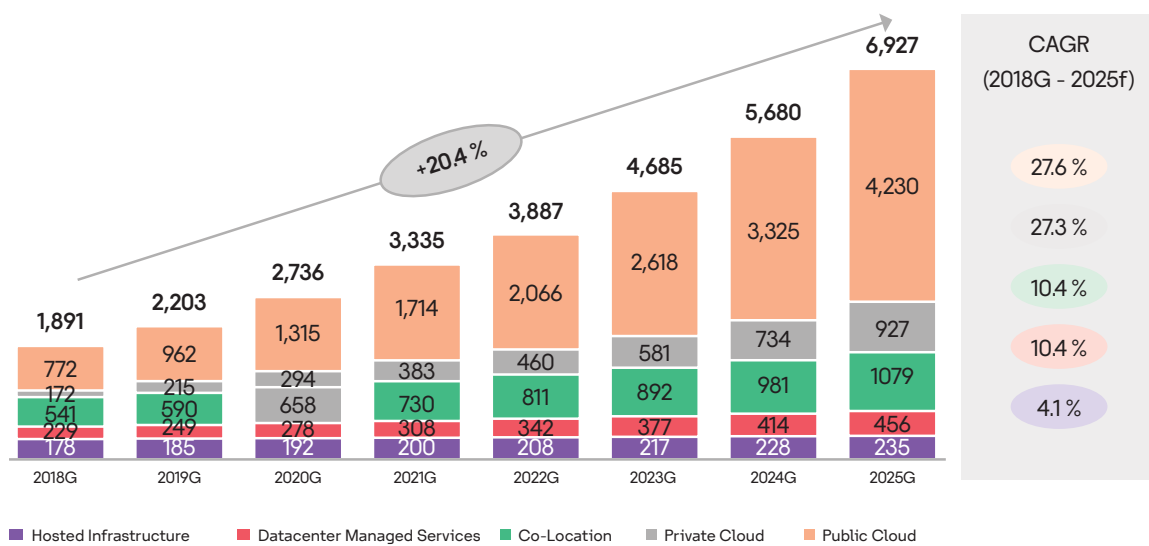
The data and cloud market is divided into five (5) segments: hosted infrastructure, data centre managed services, co-location, private cloud and public cloud. This segment will be multiplied by more than 3.5x between 2018G and 2025G and is one of the fastest growing segments in IT services, representing a significant part of the growth of the overall market.

The public cloud is expected to fuel the growth of the segment and also the broader IT services market. The public cloud sub-segment is growing at an estimated CAGR of around 27.6% between 2018G and 2025G primarily due to the continued shift towards cloud applications. It is forecasted to represent more than 60% of the market by 2025G. Private cloud is expected to grow at a CAGR of around 27.3% between 2018G and 2025G, as large organizations look for resilience and move critical computing function in-house or move in a hybrid cloud environment.

Data centre managed services and co-location remain stable and steady market segments with a growth rate of 10.4% for each segment between 2018G and 2025G.

Hosted infrastructure is expected to grow by a CAGR of 4.1% between 2018G and 2025G.

Figure 14: DC & Cloud – Size of Sub-segments Between 2018G-2025G (SAR Mn)



*Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

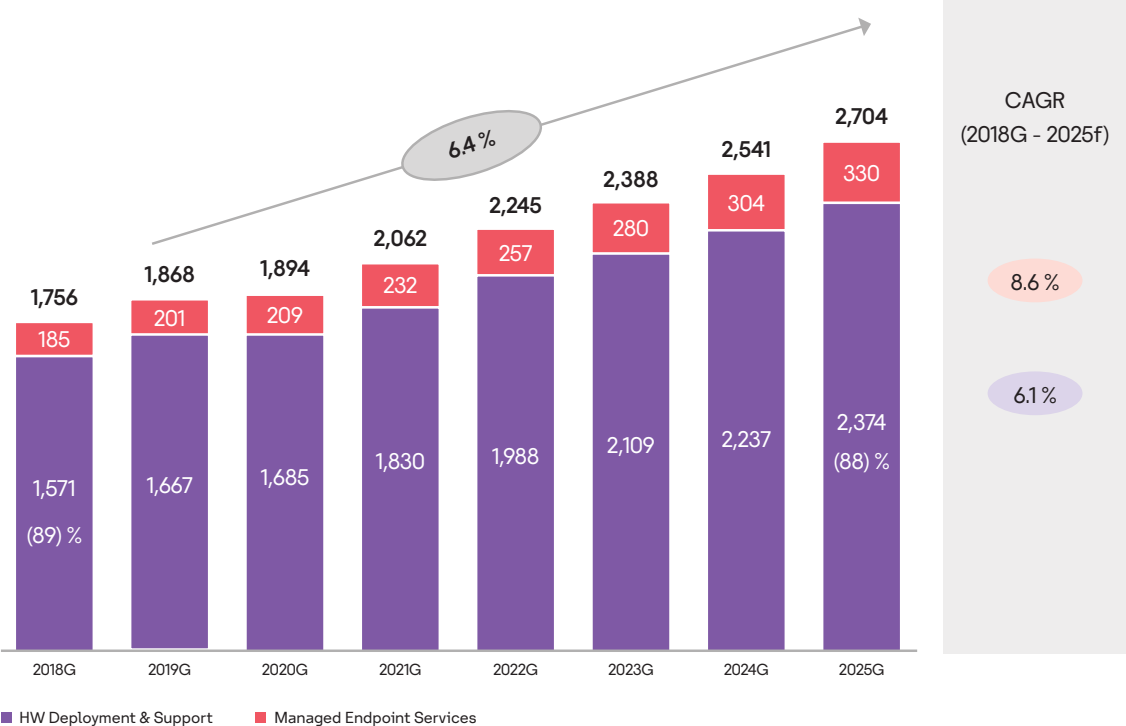
3-4-9 Equipment Services Market

The equipment services market is divided into two (2) segments: hardware deploy & support and managed endpoint services.

The size of hardware deploy & support is SAR 1.6 billion (2018G) and represents 89% of the equipment services market. It is expected to grow at a CAGR of 6.1% between 2018G and 2025G and reach two billion and four hundred million (2,400,000,000) Saudi riyals.

Managed endpoint services include server maintenance and support, which amounted to SAR 185 million (2018G) in size and represents 11% of the equipment services market. It is expected to grow at a CAGR of 8.6% between 2018G and 2025G and reach SAR 330 million.

Figure 15: Equipment Services Market – Size of Sub-segments Between 2018G-2025G (SAR Mn)



*Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

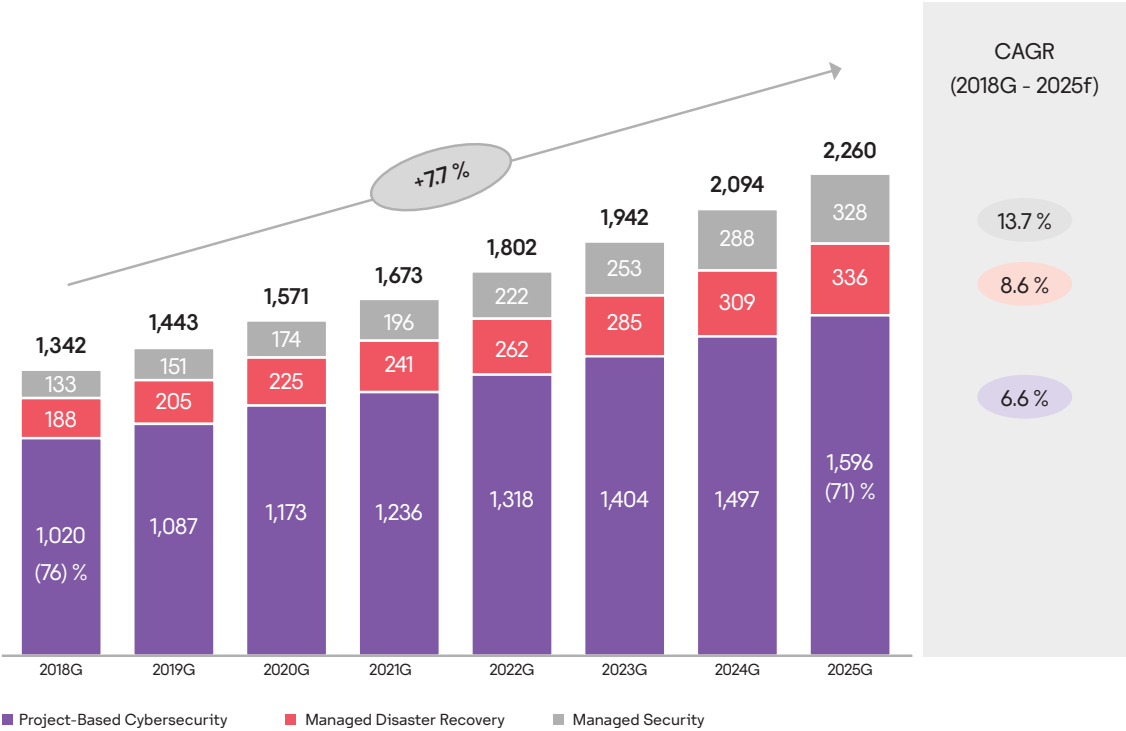
3-4-10 Cybersecurity Market

The cybersecurity market is divided into three (3) different segments: project-based cybersecurity, managed security and managed disaster recovery.

The cybersecurity market is currently driven mainly by project-based services which account for 76% (2018G) of the market segment. Hardware and Software components are often bundled in project-based security services.

Managed cybersecurity services will drive market growth in the coming years, expected to grow at 13.7% between 2018G and 2025G. Managed security and disaster recover are expected to more than double in size, while project-based services is expected to show a more moderate pace of growth.

Figure 16: Cybersecurity Market – Size of Sub-segments Between 2018G-2025G (SAR Mn)



* Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

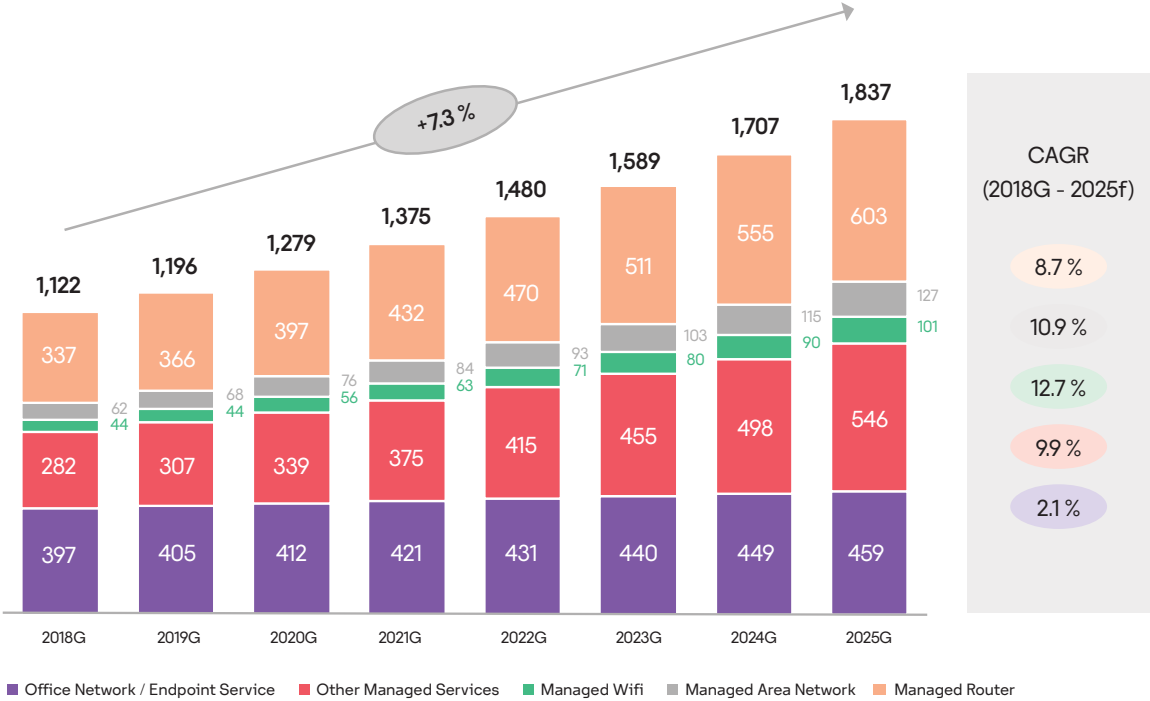
3-4-11 Managed Networks Market

The managed network market is divided into five (5) different segments. They include Office Network/Endpoint Service, Other Managed Services, Managed Wifi, Managed Area Network and Managed Router.

Office Network/Endpoint Service, Other Managed Services, Managed Wifi, Managed Area Network and Managed Router are expected to grow by 2.1%, 9.9%, 12.7%, 10.9%, and 8.7% respectively, between 2018G-2025G.

Managed router, Local Area Network (“LAN”), Wi-Fi and other managed services are expected to drive the future growth in managed networks and projected to nearly double in size by 2025G. The office network and endpoint infrastructure (e.g. printer, storage) continues to lose relevance as functions move to the cloud. As a result, office network and endpoint infrastructure is expected to have relatively low growth going forward.

Figure 17: Managed Networks Market – Size of Sub-segments Between 2018G-2025G (SAR Mn)



* Adjusted for the effects of COVID-19.

Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

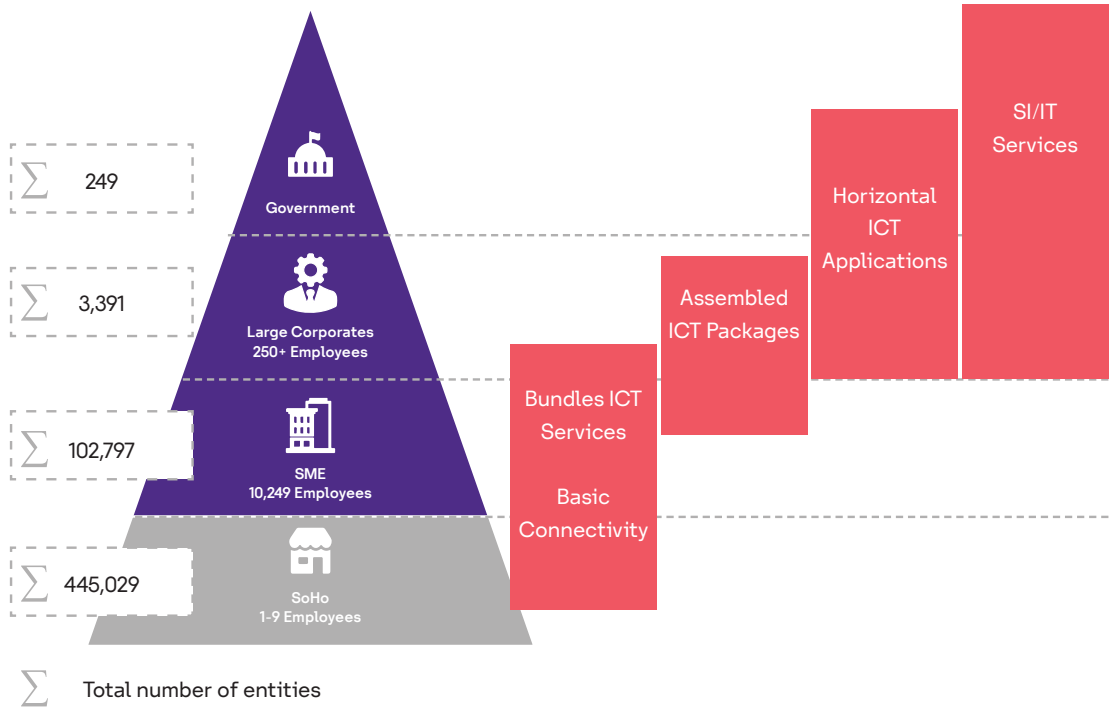
3-4-12 Segmentation by End Clients

Every B2B segment has different ICT service requirements and need for a tailored portfolio of services, as well as a go-to-market strategy. The degree of standardization of services provided decreases with company size. Segment requirements can vary from basic connectivity for Small Office, Home Office (SOHO) to large system integration and IT projects for large corporates and government customers.

Serving government entities as well as large corporates requires a comprehensive portfolio of solutions with the ability to deliver large and complex projects. These customers have in general a complex tender process for IT services providers. Clients often require IT service providers to be listed as registered suppliers with the entities or with their procurement departments, in order to be able to answer to any request for proposal.

In order to access the SME segment, market players need to tailor their value propositions accordingly with an adapted go-to-market strategy. SMEs look for standard solutions with high availability and simplicity. Key buying criteria for SME's also include cost efficiency and scalability. This segment represents a large opportunity for IT services providers, with more than one hundred thousand entities in the Kingdom only.

Figure 18: B2B ICT Product and Service Requirements



Source: The General Organization for Social Insurance (Third Quarter 2019G), market study advisor analysis.

3-5 Drivers and Trends in the Market

3-5-1 Fourth Industrial Revolution

The world is changing faster than ever before and the need for IT service partners to meet the increasing demands of technologies is becoming more important. The way in which we work, live and communicate with each other is exponentially changing as the world becomes more connected than ever before. This change in the way we live is what is known as the “Fourth Industrial Revolution” as the world begins to rely more on smart technologies at home and at the workplace. Technology is disrupting every industry in every nation at an unprecedented pace, creating both opportunities and challenges for business. Several new technologies have emerged as a result of the “Fourth Industrial Revolution” including Blockchain, AI, RPA and intelligence process automation.

Blockchain is a digital ledger technology that is distributed and duplicated across every computer in its network system and has led to the emergence of digital currencies such as BitCoin. It has become a staple of the enterprise digital portfolio, with 10% of organizations confirming it as a top priority and 50% of organizations considering its possible implementation.

AI is another emerging trend in technology, with many private and public organizations seeking to use AI to realize its transformative potential. AI allows people to analyse data more deeply, accelerate learning, make more informed decisions, avoid human error and become more operationally efficient. Today, AI is involved in a wide range of areas including diagnosing the world’s diseases, developing clinical pathways, education and communication. As machine learning continues to advance, AI will become a more integral part of how we live.

RPA is another technology that has emerged in this revolution. RPA allows people to configure robots or computers to implement human actions and execute on specific tasks. These systems are able to take instructions from humans, interpret the requests and trigger the appropriate response. RPA is becoming more topical as individuals and businesses seek to automate menial tasks, in order to free workers to focus their times and energy on higher value initiatives. RPA has also led to the emergence of Intelligence Process Automation (“IPA”), which is a complementary technology designed to bring even greater utility to RPA. IPA is the upgrade to RPA which allows it to handle more significant problems and complexities, as well as integrate decision making instead of just automating repetitive tasks.

3-5-2 Accelerated Digitalisation of the Public Sector

The importance of digitalization in the public sector is becoming paramount and is an area of tremendous potential. This was brought to the forefront and accelerated due to COVID-19. Public organizations around the world are now functioning remotely through virtual meetings and working from home. As stated by Microsoft's CEO: "In this era of remote everything, we have seen two years' worth of digital transformation in two months." Public-sector employees also stand to benefit from digitalization by reducing repetitive tasks and increasing job satisfaction. COVID-19 served as an accelerator in the continued need for digital technology for all businesses, across every industry.

3-5-3 Increasing Demand for Vertical Solutions

With the ongoing digital transformation, public and private entities have developed specific digital needs to serve their customers and users. This has increased the demand for software and applications ("**products**") that are vertically specialized and adapted to the usage of each industry.

IT service providers have responded to this increase in demand by either internally developing solutions or acquiring products adapted to certain verticals. As a result, customers benefit from modern solutions that are difficult to replicate in-house. These modern solutions are constantly kept up to date and adapted to the evolving needs of the customer base.

3-5-4 Increasing Recourse to Outsourcing of Key Parts of IT

Over the years, corporations of all sizes have been pushing to outsource non-strategic parts of the organisation in order to focus on their core operations and turn an increasing part of their fixed costs into variable costs in order to increase operating and financial flexibility.

Also, thanks to their experience, product breadth and innovation, IT services providers have developed expertise and know-how that is difficult to replicate in-house for non-IT specialists, which have therefore seen more value-added by third party providers serving part or all of their IT needs.

With the rise of near-/ off-shoring, as well as the increase of scale, large IT services providers have been able to develop very competitive pricing, and therefore can offer solutions and services for a lower Total Cost of Ownership ("TCO") than what corporates can achieve in-house.

3-5-5 Increased Regulation in Some Industries (e.g. banks) Increase the Need for Complex and Up to Date IT Infrastructure

Certain industries today are facing increasing regulation, which requires systems and processes to be constantly updated. Banking for example is a sector with constant regulatory changes and under the scrutiny of regulators and government alike. As a result, there are higher requirements for improved IT services and infrastructure to be able to deal with these incremental and increasingly complex requirements. IT service providers enable their customers to have systems that are constantly kept up to date and to allocate resources to more strategic parts of the organisation.

3-5-6 Mergers and Acquisitions is a Key Part of Strategy of All Large Players in the Industry

Globally the IT services market is a sector with a relatively high volume of mergers and acquisitions in number of deals, both by local players consolidating their home market and by international players diversifying their revenues or consolidating a presence in a foreign market. Acquisitions in the sector are frequent as they provide a number of benefits: economies of scale, acquisition of new capabilities / products (e.g. acquisition of vertical products), and a faster entry into a new geography.

3-6 Competitive Landscape and Current Situation

The IT services market in the Kingdom remains largely fragmented, with the Company being number one with 13% market share, more than twice the size of the second largest player in terms of market share.

3-6-1 Telecommunications:

The Company is well ahead of telecommunications players, namely Integrated Telecom ("ITC"), Sahara Net, BT Al Saudia, NourNet. These niche operators present a limited threat today with less than 2% overall market share, and would have to rely on exclusive partnerships (e.g.: Zain with Alibaba Cloud) in the attempt to gain larger market share.

3-6-2 Local System Integrators:

Local system integrators have a strong market presence with around 23% estimated IT services market share in 2018G. Advanced Electronics Company (“**AEC**”) and Saudi Business Machines (“**SBM**”) have emerged as the leading players in this category, although this part of the market remains largely fragmented.

3-6-3 International Players:

The combined market share of international players accounted for 9% of the overall IT services market in 2018G and currently only serve a minor role. The presence of international players is expected to increase in the future. Hyperscalers (i.e. AWS and Microsoft) rely mostly on sales through partners instead of selling direct, which provides an opportunity for the Company.

3-6-4 Overview of Key Competitors

A. Telecommunications:

Mobily

Saudi Arabia based telecommunications company that offers fixed line, mobile telephone, and Internet services. Mobily is currently focused on large corporates with advanced enterprise solutions building on network related capabilities (DIA, VSAT, managed networks). Mobily also targets SMEs with selective products and is approaching government customers.

Zain

Mobile communication and data services operator with a commercial footprint in seven (7) Middle Eastern and African countries with a workforce of over six thousand (6,000) employees providing a comprehensive range of mobile communication and data services. Zain currently attempts to gain market share in IoT with specialized solutions such as fleet management and mobile POS. The company also offers private cloud through a partnership with Alibaba Cloud.

Integrated Telecom (ITC)

Saudi based telecom provider established in 2005G. ITC is offering next-generation ICT solutions for broadband, connectivity, cloud computing, managed services, security services, satellite services and internet services. ITC also operates six (6) data centres. The company’s customers include banks and financial services organizations. ITC is part of Al Mawarid Group of Companies, a diversified Saudi conglomerate.

Sahara Net

Information and communications technologies provider in the Saudi market. Sahara Net offers internet and other related services for connectivity, internet, cloud, hosting, security, optimization and managed services. The company is the only “carrier neutral” ICT in the market utilizing all the active networks of data service providers.

NourNet

Founded in 1998G as an internet service provider to deliver premium internet services to the Saudi market. The company has since transformed to become a leading converged ICT service provider. NourNet currently services over two thousand (2,000) corporate customers and manages three (3) carrier-neutral data centers. Nournet also offers its customers solutions including managed services, cloud, connectivity, cybersecurity and collaboration.

B. Local System Integrators and Category Specific Players:

Advanced Electronics Company (AEC)

Saudi Arabia based company that focuses predominately on defence, government and oil and gas.

Technology and Security Ecosystem

Focused on the transportation sector with a product offering that includes traffic solutions (IoT, Big Data) and security applications (e.g. biometric systems). The company mostly works for government entities on projects involving collaboration with corporates.

Taqnia

Established in 2011G, Taqnia is 100% owned by the Public Investment Fund (PIF). Its product offering covers cybersecurity (security operations centre) and manufacturing ICT solutions for automation (IoT). The company focus lies in the public sector, predominantly in education and healthcare. Taqnia also offers a business line for space business providing managed services for satellites.

Thiqah

Established in 2012G, Thiqah focuses primarily on system integration, custom application development and outsourcing. The company is state owned and mainly focused on the public sector customers and related entities.

Elm

State-owned system integrator with a portfolio focused on custom applications (e.g. visa management), cybersecurity (integration), government outsourcing and training solutions. With more than two thousand (2,000) employees, Elm serves primarily government-related customers.

Saudi Business Machines (SBM)

End-to-end solution provider that predominately focuses on infrastructure, networking solutions and software and hardware reselling. Saudi Business Machines provides solutions mainly to large corporates across various sectors including financial services, utilities and manufacturing. Saudi Business Machines is the general marketing and services representative of IBM World Trade Corporation in Saudi Arabia and has established strategic partnerships with other global tech players such as Oracle, SAP, Microsoft, Cisco, VMWare, Symantec and Schneider.

Al Moammar Information Systems (MIS)

End-to-end IT services provider, focused on large scale IT projects. MIS is offering a full range of ICT solutions and services including network and information systems, information centre systems, information security and cybersecurity systems, service management systems, software solutions, and geographic survey systems. MIS went public in March 2019G and is listed on the Saudi Stock Exchange (Tadawul).

Ejada

IT services and solutions provider in the Middle East and North Africa, with a strong focus on system integration and application management, including custom development. With more than nine hundred (900) professionals, Ejada handles projects around system integration, implementation, consulting and support services to over one hundred and fifty (150) Enterprises cutting across banking and financial services, telecommunication, government, healthcare and the oil and gas industry.

C. International Players:

Wipro

Indian multinational information technology company that has a broad portfolio of IT services required for digital transformation which includes integration, security, cloud and IoT. Wipro works with large corporates and government agencies. The company has a strong foothold in oil and gas.

Tata Consultancy Services

Indian multinational information technology services and consulting company, with a business model that focuses on integration, applications and security. Tata recently acquired an ISP license to enter the telecommunications market.

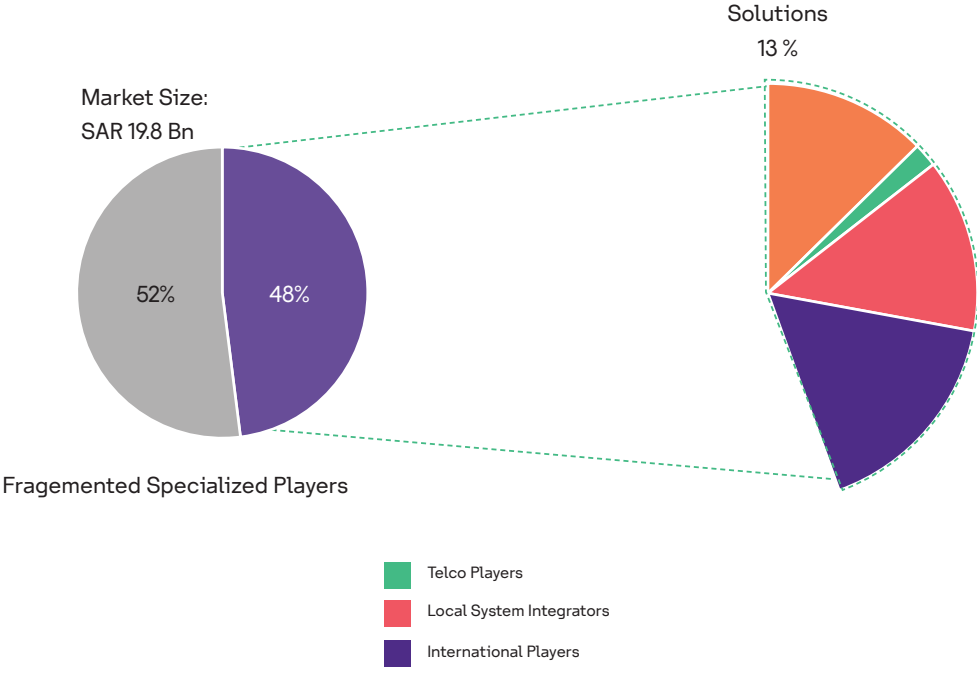
Tech Mahindra

Indian multinational information technology company strongly focused on cloud and related service offerings, which is complemented by SBM for on premise services for the customer's device.

IBM

American multinational technology company with a strong focus on system integration and application management, including customer development.

Figure 19: B2B IT Services Market in the Kingdom – Market Shares of Key Players (2018G)



*Market size refers to B2B ICT IT services excluding connectivity, standalone software, hardware.
 Source: The Company and the Market Study Consultant derived this data from the market data of the IDC from 2018G.

The Kingdom’s system integration market is very fragmented. AEC and SBM are the key competitors as they compete in the large government markets. The main threat in this market does not come from local players, but rather hyperscalers (e.g. Amazon, Microsoft, Alibaba, etc.) which have mature price cost business models and are now entering the market considering local hosting in the Kingdom. Given their lack of sales force, local expertise and relationships with customers, hyperscalers are mainly a threat for the SME market which only requires “standard solutions.” The threat of hyperscalers is significantly lower in the government markets where relationships, local presence and credibility are of much greater importance than in the SME market.

As the Company would like to access and strengthen its position in the SME market, the Company envisions future long term partnerships with hyperscalers, to whom the Company could offer its local presence, knowledge and access to customer base in exchange of leveraging their standard solutions.

Figure 20: KSA B2B IT Services Market - Market Shares and Top Players by Product Category (2018G)



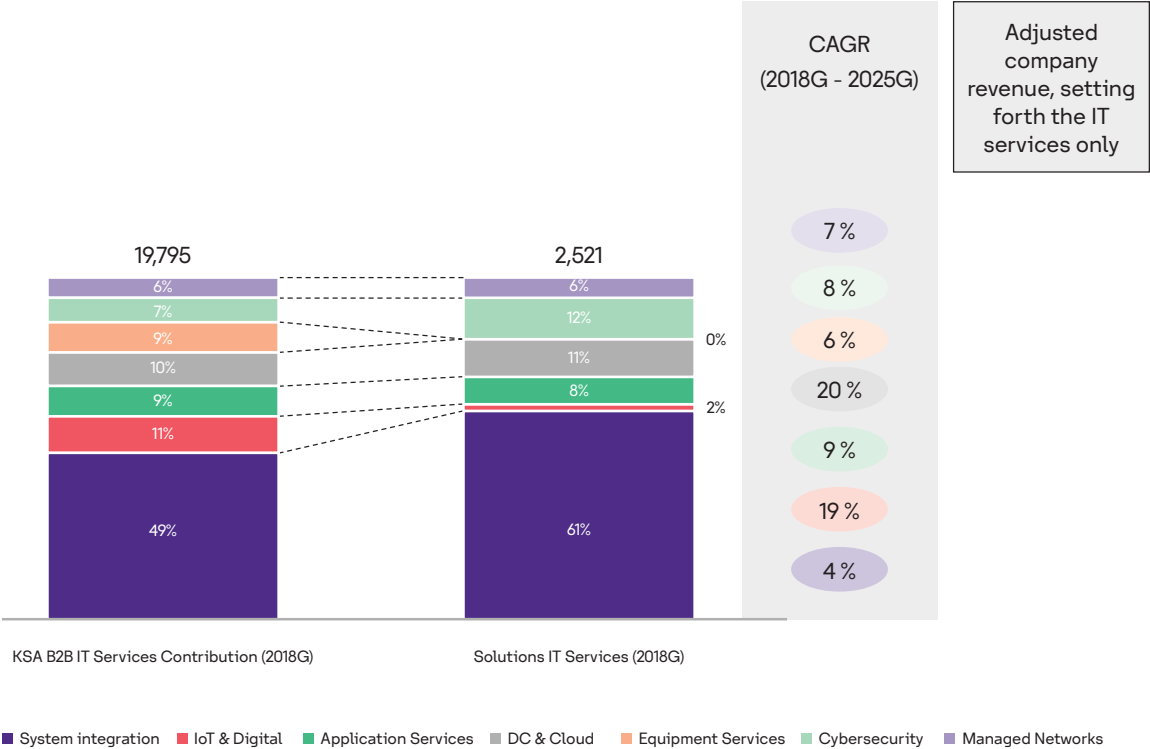
Source: The Company and the Market Consultant has derived this data from IDC’s market data since 2018G.

3-7 Differentiated Segmentation of the Company Versus Overall Market

The Company’s segmentation of IT services is different from the overall market. The resale of equipment is not an area of focus for the Company’s IT services. System integration remains the revenue engine for both the overall market and the Company with 49% and 61% contribution respectively.

The Company has established a foothold in the key future market growth areas with cloud computing and IoT & Digital. These areas are the fastest growing segments with a CAGR of 20% (2018G to 2025G) for data center and cloud computing services and 19% for Digital. The Company plans to participate in growth solutions to target industry verticals and use cases with high potential (e.g. financial services due to regulatory trend towards bringing data storage in-house). The Company’s communication division is not part of the IT services market but serves the B2B Voice & Data market described above, which has slower growth but remains a large opportunity for the Company and its competitors in the segment.

Figure 21: KSA B2B IT Services Market Contribution by Product vs. Share of the Company’s Revenues Derived from Target Market (SAR Mn) (2018G)



*The Company’s revenue has been adjusted to include IT services only, save for communications, internet and outsourcing services. Source: The Company and the Market Consultant has derived this data from IDC’s market data since 2018G.

4- Business

4-1 Overview

The Company was incorporated as a Saudi limited liability company in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G) under the name of "Arabian Internet and Communication Services Company". The Company operates under the commercial name "solutions by stc".

The Company was converted into a closed joint stock company under Ministry of Commerce Resolution No. 144 issued on 08/05/1442H (corresponding to 23/12/2020G). The Company's head office is located at Riyadh, Olaya, Olaya Road, Akaria Plaza 3, P.O. Box 50, Riyadh, 11372, Kingdom of Saudi Arabia.

The Company's current capital amounts to one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) ordinary shares with a fully-paid nominal value of ten Saudi riyals (SAR 10) per share.

The Company is the leading IT services provider according to the market study report, enabling the digital transformation of companies and government-related entities in the Kingdom. The Company provides end-to-end, integrated IT services and solutions to its customers, offering a one-stop-shop approach across the IT value chain encompassing core ICT services, IT managed and operational services and digital services.

The Company began providing its services as an internet services provider, then became the leading ICT services provider in the Kingdom, as its customer-base developed from only serving stc, to serving a broad range of other customers from anchor government entities in the Kingdom and private businesses across a number of industry sectors, including, but not limited to, oil and gas, healthcare, banking and government development sectors. As of 2018G, the Company held a market share of 13% of the IT services market which is considered a fragmented market (excluding connectivity, standalone software and hardware services) (the "IT services market") in the Kingdom by revenue. The Company also has a leading position in a number of its business lines and customer segments, including in the connectivity services, system integration, managed networks, cybersecurity and data center and cloud segments. Additionally, the Company has been ranked by the International Data Corporation as "Top IT Services Player" in the Kingdom for five consecutive years during the period between 2015G and 2019G.

The Company offers a broad range of complementary ICT services and solutions across the following service categories:

- **Core ICT Services, which consists of the following business lines:**
 - System Integration business line; and
 - Communication and Internet business line;
- **IT Managed and Operational Services, which consists of the following business lines:**
 - Outsourcing Services business line; and
 - Managed Services business line; and
- **Digital Services, which consists of the following business lines:**
 - Cloud Services business line;
 - Cybersecurity business line; and
 - Digital Services business line.

The Company's operating model is based on selling ICT services and solutions via the following key customer channels, while the Company is also actively seeking to diversify its revenue streams and expand its portfolio of offered services:

- direct sales to stc and its subsidiaries ("**sell-to-stc**"), which, although sales have increased year-on-year, accounted for 42.7%, 39.2% and 35.2% of the Company's net revenues for the financial years ended 31 December 2018G, 2019G and 2020G, respectively.
- sales to B2B customers ("**sell-to-B2B**"), which include sales through stc (including through stc's Enterprise Business Unit) ("**sell-through-stc**") and directly to B2B customers ("**sell-direct**"), which accounted for 57.3%, 60.8% and 64.8% of the Company's net revenues for the financial years ended 31 December 2018G, 2019G and 2020G, respectively.

The Company's business is currently concentrated in the Saudi market. The percentage of sales outside the Kingdom (in the State of Kuwait and the Kingdom of Bahrain) does not exceed 0.15% of the Company's total sales for the financial year ended 31 December 2020G. The Company has a 100% direct interest in one subsidiary in Egypt, stcs for IT (the "**Subsidiary**"), which operates under the commercial name "stcs for IT" with commercial registration number 130135

dated 09/05/1440H (corresponding to 15/01/2019G) and share capital of USD 70,000 divided into 1,000 shares with a nominal value of USD 70 each (equivalent to two hundred sixty-two thousand, five hundred Saudi riyals (SAR 262,500), divided into one thousand (1,000) shares with a nominal value of two hundred sixty-two Saudi riyals and fifty halalas (SAR 262.5) at an exchange rate of 3.75 Saudi Riyals per US dollar. The Subsidiary supports the Company in providing its services in the Kingdom, mainly with regard to development of programs, given all major program development work is carried out within the Kingdom by the Company and the Subsidiary plays a supportive role in the Company's business.

According to its commercial registration, the Company's activities include:

- Telecommunication wiring.
- Networking wiring.
- Computer and telecommunication networking wiring.
- Installation and maintenance of security devices.
- Provision of upper management consulting services.

According to its Bylaws, the Company's activities comprise the following:

- Information and communication.
- Other service activities.
- Telecommunication wiring.
- Internet, computer and telecommunication networking wiring.
- Installation and maintenance of security devices.
- Provision of upper management consulting services.
- Construction.

The Board of Directors of the Company affirms that it has no intention to make any fundamental change to the nature of the Company's business and that there has been no interruption in the Company's operations that may affect or have a significant impact on its financial situation during the last twelve months.

The Company has 1,494 employees as at 31 December 2020G (for further details on the Company's employees, see Section 4.10 "Employees" of this Prospectus), with total revenues, net of SAR 4,041 million, SAR 5,257 million and SAR 6,891 million, respectively for the financial years ended on 31 December 2018G, 2019G and 2020G and net profit for the year of SAR 556 million, SAR 394 million and SAR 702 million, respectively, for the same period.

4-2 Corporate History and Evolution of Capital

4-2-1 Incorporation (2003G)

On 08/11/1423H (corresponding to 11/01/2003G), the Company was incorporated as a Saudi limited liability company in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G) under the name of "Arabian Internet and Communication Services Company". At incorporation, the Company's share capital was ten million Saudi riyals (SAR 10,000,000) divided into ten thousand (10,000) shares with a fully paid nominal value of one thousand Saudi riyals (SAR 1,000) per share. The table below sets out the shareholding in the Company at incorporation.

Table (4-1): Shareholding in the Company at incorporation

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
Al-Faisaliah Holding Group	6,401	6,401,000	64.01%
International Internet and Communications Company Limited	2,547	2,547,000	25.52%
Arabian Advanced Systems Company	1,052	1,052,000	10.47%
Total	10,000	10,000,000	100%

Source: The Company

4-2-2 Change in Ownership (2007G)

On 26/3/1428H (corresponding to 14/04/2007G), both International Internet and Communications Company Limited and Arabian Advanced Systems Company exited the Company and transferred all of their shares in the Company, amounting to three thousand, five hundred ninety-nine (3,599) shares with a nominal value of three million, five hundred ninety-nine thousand Saudi riyals (SAR 3,599,000) to stc which entered as a new shareholder in the Company. International Internet and Communications Company sold all of its shares amounting to two thousand, five hundred forty-seven (2,547) shares with a nominal value of two million, five hundred forty-seven thousand Saudi riyals (SAR 2,547,000) to stc

and Arabian Advanced Systems Company sold all of its shares amounting to one thousand, fifty two (1,052) shares with a nominal value of one million, fifty-two thousand Saudi riyals (SAR 1,052,000) to stc. In addition, Al-Faisaliah Holding Group sold six thousand, one hundred one (6,101) of its shares in the Company with a nominal value of six million, one hundred one thousand Saudi riyals (SAR 6,101,000) to stc. The table below sets out the shareholding in the Company following the abovementioned share transfers in accordance with the partners' resolution amending the Company's Memorandum of Association on 26/03/1428H (corresponding to 14/04/2007G):

Table (4-2): Shareholding in the Company following the 2007G change of ownership structure

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
stc	9,700	9,700,000	97.0%
Al-Faisaliah Holding Group	300	300,000	3.0%
Total	10,000	10,000,000	100%

Source: The Company

4-2-3 Change in Ownership (2008G)

On 30/12/1428G (corresponding to 09/01/2008G), Al-Faisaliah Holding Group exited the Company and transferred all of its shares, amounting to three hundred (300) shares with a total value of three hundred thousand Saudi riyals (SAR 300,000) to Telecom Commercial Investment Company Limited. The table below sets out the shareholding in the Company following the abovementioned share transfers in accordance with the partners' resolution amending the Company's Memorandum of Association on 30/12/1428H (corresponding to 09/01/2008G):

Table (4-3): Shareholding in the Company following the 2008G change of ownership structure

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
stc	9,700	9,700,000	97.0%
Telecom Commercial Investment Company Limited	300	300,000	3.0%
Total	10,000	10,000,000	100%

Source: The Company

4-2-4 Capital Increase (2011G)

On 06/05/1432H (corresponding to 09/04/2011G), the partners agreed to increase the share capital of the Company from ten million Saudi riyals (SAR 10,000,000) to one hundred million Saudi riyals (SAR 100,000,000) through capitalization of ninety million Saudi riyals (SAR 90,000,000) from the shareholders' current account, divided into ten million (10,000,000) shares with an equal nominal value of ten Saudi riyals (SAR 10) each. The table below sets out the shareholding in the Company following the abovementioned capital increase in accordance with the partners' resolution amending the Company's Memorandum of Association on 06/05/1432H (corresponding to 09/04/2011G):

Table (4-4): Shareholding in the Company following the 2011G capital increase

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
stc	9,700,000	97,000,000	97.0%
Telecom Commercial Investment Company Limited	300,000	3,000,000	3.0%
Total	10,000,000	100,000,000	100%

Source: The Company

4-2-5 Conversion and Capital Increase (2020G)

On 01/04/1442H (corresponding to 16/11/2020G), the share capital of the Company was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion two hundred million Saudi riyals (SAR 1,200,000,000) through capitalization of one billion one hundred million Saudi riyals (SAR 1,100,000,000) from retained earnings account, divided into one hundred and twenty million (120,000,000) shares with an equal nominal value of ten Saudi riyals (SAR 10) each. In addition, the Company was converted into a closed joint stock company pursuant to Ministerial Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G). The table below sets out the shareholding in the Company following the abovementioned conversion and capital increase in accordance with the partners' resolution amending the Company's Memorandum of Association on 01/04/1442H (corresponding to 16/11/2020G):

Table (4-5): Shareholding in the Company following conversion and 2020G capital increase

Shareholder	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
stc	116,400,000	1,164,000,000	97.0%
Telecom Commercial Investment Company Limited	3,600,000	36,000,000	3.0%
Total	120,000,000	1,200,000,000	100%

Source: The Company

4-3 Ownership structure of the Company before and after the Offering

The Company's share capital is one billion two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred and twenty million (120,000,000) shares ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per Share. The following is the ownership structure of the Company before and after the Offering:

Table (4-6): Shareholding in the Company pre- and post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)	No. of Shares	Nominal Value of Shares (SAR)	Shareholding (%)
stc*	116,400,000	1,164,000,000	97.0%	94,800,000	948,000,000	79%
Telecom Commercial Investment Company Limited	3,600,000	36,000,000	3.0%	N/A	N/A	N/A
Public	N/A	N/A	N/A	24,000,000	240,000,000	20%
Treasury Shares*	N/A	N/A	N/A	1,200,000	12,000,000	1%
Total	120,000,000	1,200,000,000	100%	120,000,000	1,200,000,000	100%

* stc owns 97% of the Company's shares directly pre-Offering and 100% of the Company's shares pre-Offering through its ownership of Telecom Commercial Investment Company Limited.

** Concurrently with the completion of the IPO, the substantial shareholder will sell 1,200,000 shares to the Company, based on the final Offer Price, to be used in the Company's employee share plan (for more information, please refer to Section 11 "Employee Shares" of this Prospectus).

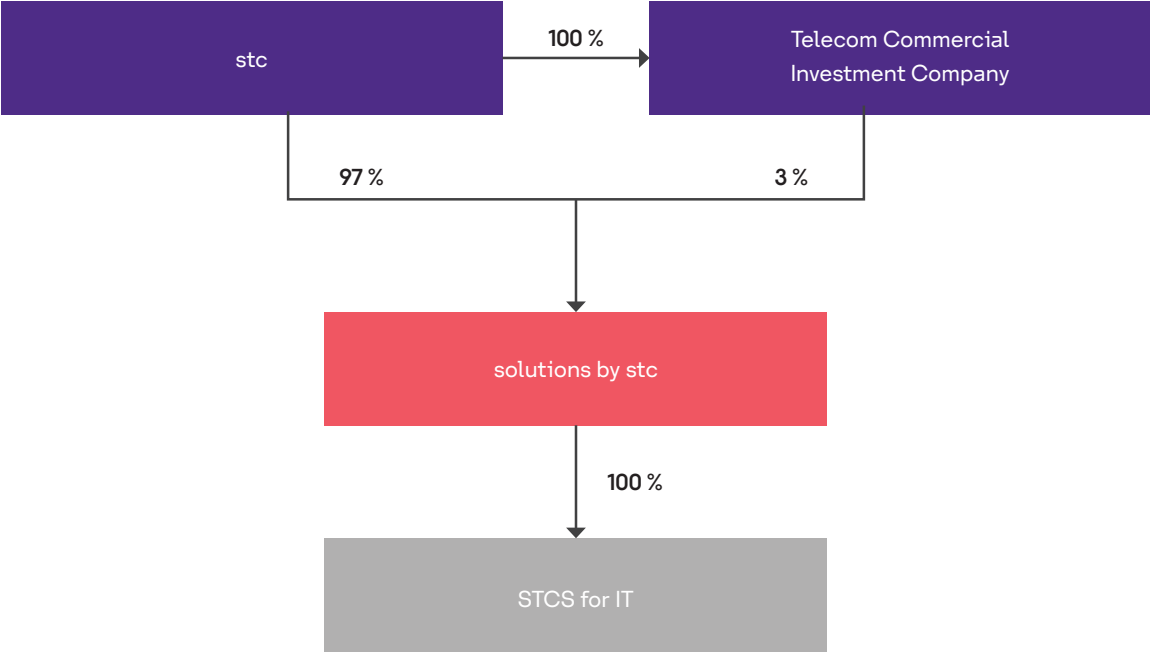
Source: The Company

4-4 Ownership and Corporate Structure

The Company operates across the Kingdom through its head office in Riyadh, and branches in each of Jubail, Khobar and Jeddah, and Riyadh.

The diagram below provides an overview of the Ownership and corporate structure of the Company within the Group.

Figure 22: Ownership and corporate structure of the Company



Source: The Company

4-4-1 Overview of the Substantial Shareholder (stc)

Saudi Telecom Company (“stc”) was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24/12/1418H (corresponding to 21/04/1998G) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone (telecommunication segment) with its various components and technical and administrative facilities to stc, which was then wholly owned by the Government of the Kingdom of Saudi Arabia. Pursuant to Council of Ministers Resolution No. 171 dated 02/07/1423H (corresponding to 09/09/2002G), the Government sold 30% of stc’s shares. stc commenced operation as a provider of telecommunications services across the Kingdom on 06/01/1419H (corresponding to 02/05/1998G) and received its Commercial Registration No. 1010150269 as a Saudi joint stock company on 04/03/1419H (corresponding to 29/06/1998G). stc’s head office is located in King Abdulaziz Complex, Imam Mohammed Bin Saud Street, Al Mursalat Area, Riyadh.

Pursuant to its commercial registration certificate, stc’s activities include:

Providing fixed telecommunication services, fixed broadband, wired Internet services, mobile telecommunication services, wireless Internet services, wireless data services, telecommunications services using VSAT system, infrastructure-related wholesale services and AVL services.

stc is the top telecom operator in the Kingdom. stc retains clear leading positions in the fixed, mobile and broadband services markets, which it maintains through a strong customer base and direct access to high profile government, corporate and small to medium enterprise customers. Within the Kingdom, stc provides a wide variety of telecommunications services, including mobile, fixed line and broadband products, wholesale, data center hosting, and, through the Company, solutions for office and home environments, cybersecurity and other IT and related solutions. stc also provides mobile telecommunications services in Bahrain, Kuwait and Malaysia, through its subsidiaries. The Government of the Kingdom, represented by the Public Investment Fund (PIF), is stc’s major shareholder. As the leading provider of key communications infrastructure in the Kingdom, stc is a flagship national company and an important strategic investment of the government. As of 31 December 2020G, stc was the third largest listed company in the Kingdom in terms of market capitalization. The following table illustrates stc’s ownership structure as at the date of this Prospectus:

Table (4-7): stc's Ownership Structure

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Percentage
PIF	1,400,000,000	14,000,000,000	70%
Public	600,000,000	6,000,000,000	30%
Total	2,000,000,000	20,000,000,000	100%

Source: Saudi Stock Exchange (Tadawul)

Although stc will continue to control the Company following the Offering (for further details about the associated risks, see Section 2.3.1 **"Risks Related to Effective Control Post-Offering by stc"** of this Prospectus), the Company operates independently of stc, with a separate Board of Directors and executive management team as well as its own corporate governance manual (for further details about the Company's administrative structure, see Section 5 **"Organizational Structure of the Company"** of this Prospectus).

4-4-2 The Subsidiary (stcs for IT)

The Company has a 100% direct interest in the Subsidiary, which is a limited liability company registered in Cairo, Egypt, with commercial registration number 130135 dated 09/05/1440H (corresponding to 15/01/2019G) and share capital of seventy thousand US dollars (USD 70,000) paid in cash, divided into one thousand (1,000) shares with a nominal value of seventy US dollars (USD 70) each.

The Subsidiary operates under the commercial name "stcs for IT". The Subsidiary supports the Company in providing its services in the Kingdom, mainly with regard to program development. The Subsidiary provides internal software development services for the Company's digital solutions products and has delivered multiple products and enhancements, particularly in the domain of fleet control and marketplace.

Pursuant to its commercial registration certificate, the principal activities of the Subsidiary are concentrated in information technology and the communication industry, including industrial activities that encompass design and development of electronics and data centers, outsourcing activities, software development and technological education, characterization, analysis and design of software, databases and applications of all kinds, design and production of programs and applications, database and electronic information system creation, operation, and training, production of electronic content in different forms of voice, image and data, data entry on computers and using electronic means, characterization and design of accounting systems of all kinds, embedded systems production, development, operation and training, characterization and design of data transfer and handling networks, implementation and management of data transfer and handling networks, telecommunications and Internet services, projects that invest in development of intellectual property rights, including patents and industrial models and drawings, establishment of networks to transmit voice, image and data, delivery of value-added services. establishment, management, operation and maintenance of telecommunication stations and networks and satellites, save for those of radio and television, scientific R&D projects for development purposes and projects that support space science and remote sensing as well as modern technology projects, establishment and management of training centers for researchers and information technology transfer centers, establishment, management, and development of consultation and studies centers specialized in information and telecommunications, technological business incubators and entrepreneurship support, activities related to conversion of traditional voice, image and data content to digital content, including digitization of scientific, cultural and artistic content, e-commerce and the Internet, and public procurement.

The Subsidiary accounts for less than 5% of the Company's assets, liabilities (including contingent liabilities), revenues and profits, and is therefore not considered a material subsidiary according to the Rules on the Offer of Securities and Continuing Obligations. The Subsidiary does not own any assets inside the Kingdom.

4-4-3 Company Branches

The Company has five (5) branches in the Kingdom. The following table sets out the details of the Company's registered branches as at the date of this Prospectus:

Table (4-8): Company Branches as at the Date of this Prospectus

#	Branch Location	Commercial Registration No.	Responsibilities and Services
1.	Jubail - Al Nakheel Mall - Waterfront	2055022604	Sales and support
2.	Khobar - Khobar Mall	2051057553	Sales and support
3.	Jeddah - Jeddah International Business Tower - Tower B	4030271030	Sales and support
4.	Riyadh - Olaya Street, Akaria Plaza 3	1010294137	Sales and support
5.	Riyadh - Olaya Street, Akaria Plaza 3 (registered in the name of the Saudi Company for Cloud Computing)	1010464020	Sales and support

Source: The Company

4-5 Vision, Mission and Strategy

4-5-1 Vision

The Company's vision is to spearhead the B2B ICT services and digital agenda for stc group by offering segment-focused digital products and services.

4-5-2 Mission

The Company's mission is to provide innovative technology solutions that enable its customers to succeed in evolving market needs.

4-5-3 Strategy

The Company carries out its business by providing end-to-end ICT services and solutions to its customers, providing a range of services and solutions through each of its key customer channels (sell-to-stc and sell-to-B2B) across its business lines encompassing a broad range of ICT services and solutions. The Company aims to increase its market share in the Kingdom and achieve sustainable revenue growth while focusing on improving the Company's profitability to maximize shareholders' returns. To achieve this strategic plan, the Company has adopted business strategies around the following areas:

A. Lead in managed and Professional Services

The Company places great emphasis on the core business of system integration, managed services, connectivity and digital services. In addition, the Company has current initiatives and plans to increase the volume of its business to ensure that its position is further strengthened in the market for managed and professional services and business process outsourcing, with a view to nurturing customer relationships throughout the IT value chain and strengthening its competitive position in the market. In order to strengthen its leadership position in managed and professional services (including integration, customization, development and management), the Company is focused on diversifying its public cloud services offering by leveraging best external technology, optimizing and improving its existing managed services harmonization of delivery teams and capabilities in its various businesses, and expanding its operational capabilities.

B. Expand Product Portfolio and Market Reach

In keeping with its mission outlined above, the Company actively seeks to venture into new and adjacent business lines that are linked to its current business in order to meet the evolving needs of its customers and further establish brand equity as an innovator in the market. The Company carries out comprehensive assessments of market trends and the needs of businesses in order to identify worthwhile markets to enter into. By diversifying its offering in this way, the Company aims to achieve operational diversity, thereby ensuring that the Company is able to effectively serve its customers in the future, including product and service cross-selling. Such initiatives are focused on diversifying the Company's customer base (including small and medium enterprises) through increased focus on new verticals with existing and new offerings, developing bundles of digital and connectivity offerings, developing off-the-shelf products and services, expanding existing sales channels, increasing efforts for standardization of products and services, and developing high margin offerings. Particular areas of focus for the Company for the diversification of its business profile include professional services, data center, cloud and managed services and digital transformation consultation. By further focusing on these areas, the Company aims to support its cross-selling and up-selling efforts and bundled service offerings in order to maximize shareholder value, and enable the Company to leverage its leading position as an end-to-end ICT services provider in the Kingdom across system integration, communication and internet business lines to bundle and cross-sell a wider range of products. Through this, the Company aims to offer greater value to small and medium enterprises through the sale of off-the-shelf products and solutions to customers.

C. Advance Customer Success and Partner Ecosystem

As part of its role as a service provider, the Company seeks to develop and maintain a strong partnership ecosystem, cultivating effective working relationships with its suppliers in order to best meet the needs of customers. Building on and maintaining relationships with global technology vendors, such as international hyperscalers of cloud services and cybersecurity solutions, represents an essential element of the Company's go-to-market strategy, with the Company enabling its foreign partners to access the Saudi market. By expanding partner relationships, the Company aims to maximize its market share for associated products and services. In addition, the Company's strong relationship with stc facilitates increased access to customers in the market, in particular with respect to certain government and enterprise customers, where stc's Enterprise Business Unit and the Company enter into the market jointly and are accountable as a single team, irrespective of the ultimate contracting entity. Moreover, the Company seeks to improve its customers' experience by developing its capabilities in managing and governing data in the context of its relationships with its customers, thus enabling the company to acquire a clear concept of its customers' needs.

D. Promote Internal Efficiencies and Collaboration

In order to achieve its strategic aims, the Company consistently aims to create efficiencies within the business and streamline existing processes, and thereby maximise shareholder value. In particular, the Company actively seeks to cultivate synergies within the business and maximise transparency within the Company with a view to maximizing the benefits of its broad operational capabilities. Initiatives currently in place at the Company include enhancing internal operating models, enhancing data management and governance capabilities, increasing digitization of finance processes, enhancing talent retention and recruitment, and strengthening performance-monitoring processes.

4-6 Competitive Advantages

4-6-1 Comprehensive Portfolio of Services Offering a One-stop-shop Approach

The Company is able to effectively leverage its multiple business lines and diverse product and service offerings and provide customers with comprehensive IT solutions and meet a broad spectrum of needs. In particular, the Company has developed a strong cross-selling capability across business lines, which means that it is able to serve as a one-stop-shop for all customer needs. This wide scope of products and services, spanning from connectivity through system integration and managed services to application services, enables the Company to build on strong customer relationships to offer a more fulsome product and service range to existing and prospective customers and expand its market share across business verticals, through the Company's ability to cross-sell and bundle services to customers.

4-6-2 Clear Market Leader in the Kingdom

The Company is able to benefit from its historic and continuing strong market presence and reputation within the Kingdom, which has been built across attracting different categories of customers and its presence in various geographic regions in the Kingdom. In particular, the Company operates across the Kingdom and serves a diverse range of private businesses and government related customers, including Saudi Aramco and National Commercial Bank and a number of ministries and government agencies. The Company's success to date is evidenced by its current market share of 13% within the Kingdom's fragmented IT services market, which marks it as a clear market leader in the sector in the Kingdom. This market leader status further strengthens the reputation of the Company and has enabled it to succeed in winning a number of significant projects within the Kingdom, as evidenced by the fact that the Company has had one of the highest growth rates among system integrators in the Kingdom between 2018G -2020G, with its net revenue achieving a 31% CAGR through large projects with high level customers in the Kingdom. The brand equity of the Company is further evidenced by the number of awards won by the Company in recent years, in recognition of the quality of service provided to customers (for further details -about the awards of the Company, please refer to Section 4.10.5 "**Awards**" of this Prospectus).

4-6-3 Ability to Capitalize on stc and Partner Ecosystems

Through its strong relationship with stc, the Company is able to draw upon a large institutional base of knowledge, customer reach and physical infrastructure. In particular, stc's size, reputation and resources- including nearly fifty (50) account managers- have enabled the Company to benefit from its comprehensive sales force and customer relationships. In addition, the Company takes advantage of stc's large customer base of government entities, large corporates and SMEs, which the company is able to effectively leverage in the context of its own products and services, as well as for marketing work within the context of requests for proposals. The Company also has a strong partner ecosystem of more than 150 global and local partners including innovative technology providers, and it is also one of the company's that generate the highest revenue for major technology providers such as Cisco, Fortinet, PaloAlto, DellEMC, VMWare, IBM, Huawei, and Microsoft. By leveraging this relationship with global suppliers, the Company is able to act as a value added reseller for its small and medium enterprise customers, through offering global supplier services to small and medium enterprises and other enterprises. In addition to the foregoing, the Company's relationship with stc also provides it with access to specific opportunities and projects, which, due to the size of the Company, may not otherwise be accessible to it.

The relationship with stc also provides opportunities for the Company and stc to work synergistically with one and other, such as through the secondment of employees with a view to encouraging knowledge transfers between the two entities, as well as through the joint development of products and services.

4-6-4 Experienced Management Team and Highly Qualified Employees

The Company's management team comprises individuals with strong operational experience and execution capabilities gained through extensive customer interactions during their tenure at the Company and within the sector, with an average of 19 years' experience within the sector (for further details about the members of the company's executive management, Please refer to Section 5 "**Organizational Structure of the Company**" of this Prospectus). Moreover, the Company provides a robust training programme to all employees in order to develop essential skills, while also maintaining a competitive salary and reward structure which is regularly evaluated and updated in order to keep pace with the expectations of employees. The Company believes that its employee base is essential to continue to deliver

best in class services to its customers and accordingly seeks to maintain and build on a unique corporate culture among its employees, through the design of employee initiatives and engagement- enhancing strategies that aimed at recognizing and nurturing the strengths and talents of individual employees (for further details about the company's employees, please refer to Section 4.10 "Employees" of this Prospectus).

4-7 Overview of the Company's Business

The Company is the leading ICT services provider according to the market study report, enabling the digital transformation of companies and government-related entities in the Kingdom. The Company provides end-to-end, integrated ICT services and solutions to its customers, offering a one-stop-shop approach across the IT value chain encompassing core ICT services, IT managed and operational services and digital services. The Company's products can be broadly divided between projects, which entail specific tailor-made solutions, and off-the-shelf offerings, which are more standardized. The Company partners with its customers across several verticals and segments to support them in their digital transformation journeys and the modernization of their IT infrastructure.

The Company offers solutions via each of its key customer channels in the areas of (i) Core ICT services, including system integration, communication and internet, (ii) information technology services and managed operational services, including outsourcing services and managed services, (iii) digital services, including cloud services, cybersecurity and digital services.

In order to cater to the needs and requirements of its customers, the Company also offers a variety of customized and standardized products and services, marketed through its sales teams and online marketplaces. In addition to the foregoing, the Company continuously invests in the expansion of its portfolio and business lines in order to maintain its market position by providing the optimal channel and product portfolio in order to serve the needs of its customers.

4-7-1 Overview of the Company's Products and Services

As of the date of this Prospectus, the Company structures its business portfolio around providing ICT products and services to customers through its three service categories (Core ICT services, IT Managed Operational Services, and Digital Services) in addition to the following seven business lines:

Core ICT Services

- **System Integration:** Services spanning across the value chain provided through strong local and global partner ecosystems, including network integration, infrastructure integration and advisory services, as well as projects system integration, licenses and consulting services.
- **Communication and Internet:** Consisting of connectivity services, serving high-end connectivity needs of enterprises within cities and remote locations (in terms of proximity from major cities) by providing dedicated, secured and high-quality business internet and satellite services through the wholesale purchase of communication capacity from infrastructure providers.

IT Managed Services and Operational Services

- **Outsourcing Services:** Providing outsourcing services and solution support to customers, with IT, technical and administrative professionals skilled in ICT, customer care and shared services.
- **Managed Services:** Providing end-to-end management of business networks and systems with the capability to deliver customized managed services projects to serve the individual needs of customers and which help them grow and improve their business, create added value through increasing efficiency, provide better services, improve operations and monitor and resolve problems where the Company is responsible for managing the components of its customers' technical infrastructure such as network and server infrastructure, data storage, account and printer management and application infrastructure management.

Digital Services

- **Cloud Services:** Selling the full spectrum of data center and cloud services including co-location, private and public cloud, infrastructure as a service ("IaaS"), platform as a service ("PaaS") and software as a service ("SaaS"), as well as cloud professional services.
- **Cybersecurity:** Providing security services covering the full IT value chain stages, including planning, design, implementation and project management of technical solutions that cater to enterprises' specific security needs.
- **Digital Services:** Consisting of internet-of-things and digital transformation services, providing digital solutions to connect, monitor and analyze machines/devices data for informed and effective decisions and redesign how businesses are conducted to enhance customer experience, including but not limited to application services and internet-of-things offerings.

The following table sets forth the breakdown of the Company's revenue by service category and business line for 2018G, 2019G and 2020G:

Table (4-9): Breakdown of the Company's revenue, net by service category and business line for 2018G, 2019G and 2020G

Service Category	Year ended 31 December 2018G		Year ended 31 December 2019G		Year ended 31 December 2020G	
	Revenue, net (SAR '000)	Contribution (%)	Revenue, net (SAR '000)	Contribution (%)	Revenue, net (SAR '000)	Contribution (%)
Core ICT Services						
System Integration	1,727,381	42.7%	2,084,811	39.7%	2,315,753	33.6%
Communication and Internet	838,337	20.7%	875,338	16.6%	1,427,819	20.7%
Core ICT Services Revenue Subtotal	2,565,718	63.5%	2,960,149	56.3%	3,743,572	54.3%
IT Managed and Operational Services						
Outsourcing Services	690,221	17.1%	903,483	17.2%	1,228,846	17.8%
Managed Services	163,443	4.0%	251,803	4.8%	401,179	5.8%
IT Managed and Operational Services Revenue Subtotal	853,664	21.1%	1,155,286	22.0%	1,630,025	23.7%
Digital Services						
Cloud Services	269,913	6.7%	477,558	9.1%	677,004	9.8%
Cybersecurity	308,121	7.6%	430,269	8.2%	578,413	8.4%
Digital Services	43,883	1.1%	234,034	4.5%	262,405	3.8%
Digital Services Revenue Subtotal	621,917	15.4%	1,141,861	21.7%	1,517,823	22.0%
Total	4,041,299	100.0%	5,257,296	100.0%	6,891,419	100.0%

*Some numbers in this table have been rounded to the nearest whole number.

Source: Audited consolidated financial statements for the years ended in 2018G, 2019G and 2020G, excluding the percentages, the source of which is management information.

A summary of the Company's seven key business lines is set forth below (for further details on the agreements related to the Company's main business lines, see Section 12.5 "Material Agreements" of this Prospectus).

A. System Integration

Although the Company continues to expand into other business verticals offering high margin returns, the System Integration business line is currently the Company's largest business line by revenue, accounting for 42.7%, 39.7% and 33.6% of the Company's total revenue, net for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, with a CAGR of 15.8% between 2018G and 2020G.

The Company's System Integration business line has experienced strong growth in recent years, and in particular through direct sales, due to a combination of factors such as strong market position (with a 13.7% market share in the business line), knowledge of customer needs, and strategic partnerships.

Through its System Integration business line, the Company enhances its customers' networks and improves their productivity and performance through network integration, infrastructure integration services and advisory services. The product portfolio of the System Integration business line includes project system integration, licenses and consulting services. The range in services offered by this business line has grown significantly in recent years, expanding from the provision of infrastructure to include applications and end-to-end IT services. Examples of the System Integration business line's offerings include sensitive data and applications migration in the banking sector, the development of identification and security systems in the education sector (allowing for effective 24/7 security monitoring), emergency response systems in the healthcare sector (allowing for automatic determination of emergency levels and patient medical details) and asset monitoring systems in the real estate sector (allowing retailers to maintain effective oversight of their inventory).

An important advantage enjoyed by the Systems Integration business line is its strong working relationship with stc. For instance, the business line works closely with stc in the development of applications. Similarly, the business line's strong relationship with its customers more generally is evidenced by consistently high levels of customer satisfaction, with a customer satisfaction rate greater than 93% for the year 2020G. In addition to the coordinated development process, the Systems Integration business line also benefits from a strong partnership ecosystem of global technology vendors, including Microsoft, VMware, Oracle Systems, Red Hat, HPE, DellEMC, Cisco, Huawei, IBM, Ericsson AB, and Juniper Networks, with the Company being the preferred partner for a number of vendors, while maintaining a strong internal culture of development and highly qualified teams, which enhance its operational capabilities.

Key customers for the System Integration business line include the National Commercial Bank (now known as the Saudi National Bank), Saudi Basic Industries Corporation, Saudi Network Information Centre, and a number of ministries.

The System Integration business line has recently been involved in a number of transformational projects within the Kingdom and has been recognized for the quality of the services it provides. In particular, the Company has worked with King Fahad Security College to deliver unique end-to-end integrated security solutions, and Saudi Aramco to build a supercomputer data center, a feat which was completed in under ten months and which is ranked as one of the top ten data centers worldwide.

The performance of the Systems Integration business line is regularly assessed by the Company's independent project management office on the basis of several key performance indicators, including the timeframe for the delivery of services and a customer experience index.

B. Communication and Internet

The Communication and Internet business line, consisting of connectivity services, accounted for 20.7%, 16.6% and 20.7% of the Company's total net revenue for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, and a CAGR of 30.5% between 2018G and 2020G, with a significant proportion of revenue derived from DIA (as defined below) products sold through the sell-to-B2B channel, which allow the Company to cross-sell by frequently being bundled together with more complex IT services in the context of a particular project or contract.

Through this business line, the Company sells dedicated internet access ("DIA"), VSAT services and enterprise mobility management with the aim of improving customers' performance and experience by linking systems and devices to the information network. The Company's communication offerings are summarized below:

- **DIA AwalNet:** The Company provides dedicated secured and high quality business internet service that fits customer needs via the Company's internet gateway, offering a spectrum of packages to suit customers' traffic usage requirements.
- **VSAT:** Through its VSAT service, the Company provides connectivity to its customers through satellite services, with the service primarily aiming to provide connectivity in remote areas.
- **Enterprise Mobility Management:** The Company provides a platform for customers to manage and secure endpoints, including personal and corporate owned devices across iOS, macOS, Android and Windows.

Examples of the Communication and Internet business line's offerings in real-world applications include the provision of high quality, fast internet connectivity to the government sector, enabling the connectivity of electronics within medical facilities in the healthcare sector (assisting in the delivery of positive healthcare outcomes) and enabling smart home technology in the real estate sector (allowing for more effective management of properties by owners and property managers).

The sell-to-B2B channel is the primary sales channel for the Communication and Internet business line, with the Company focusing on diversifying its private sector and small medium enterprise customer base. Key customers for the Communication and Internet business line include the Saudi Arabia's 2020 G20 Presidency, High Commission for the Development of Arriyadh, Ministry of Health, Al Jaber Group, Ministerial Agency of Civil Affairs, Princess Nora Bint Abdulrahman University, Saudi Ground Group and Alyusar Company. The business line's strong relationship with its customers is evidenced by best-in-class levels of customer satisfaction, with a customer satisfaction rate of 95% for the year 2020G.

The Communication and Internet business line is well placed to benefit from a number of significant strengths going forward. In particular, the business line is able to benefit from long-term relationships and long-term contracts with its customers, which provide the Company with a recurring source of revenue and strong visibility over future cash flows. In addition, the business line is also able to draw upon extensive infrastructure resources in the provision of its services, such as stc's fiber optics network, which provides the highest rate of national coverage in the Kingdom.

C. Outsourcing Services

The Outsourcing Services business line accounted for 17.1%, 17.2% and 17.8% of the Company's total revenue, net for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, with a CAGR of 33.4% between 2018G and 2020G.

Through its Outsourcing Services business line, the Company provides outsourcing services and solution support, including technical support and operation resources outsourcing services as well as consultation and administration support resource outsourcing services. The Company also provides highly skilled technical and administrative personnel to its customers. In order to ensure efficient and effective oversight of its outsourcing arrangements, the Company utilizes a number of tools, including the "Sahel" system, which enables outsourced resources to access automated self-service human resources services (such as requesting vacation days or employee paperwork), the "Sahel projects" system, which allows customers to access self-services (such as monitor outsourced resource performance and make requests to the Company (such as requests for termination of existing services or of additional services)), and the end-to-end project management system, which allows project managers at the Company to monitor project performance through a number of dashboards, as well as respond to customer requests.

Currently, the Outsourcing Services business line is broadly divided into two key departments, Business Services and Outsourcing Control and Support. There are currently two key functions within the Outsourcing Services business line, being: project management (including planning, scheduling, and issue and risk management), and pre-sales (including customer pitching, proposal development and technical negotiations) which are offered to the Company's customers. In keeping with standard market practice, the internal organization of the business line may evolve to support business growth and market dynamics.

The Company is the preferred provider for outsourcing to stc, and therefore most of the Company's contracts with stc achieve a high success rate. The Company has also seen an increase in demand for outsourcing services from B2B customers, driven by large government contracts won through usual public procurements processes, to provide technical support and operation resources, outsourcing services, and consultation and administration support resource outsourcing services. Key customers for the Outsourcing Services business line include stc, Cisco Systems, Huawei and a number of government ministries and agencies. The business line's strong relationship with its customers more generally is evidenced by a customer satisfaction rate of 90% for the year 2020G.

Although for 2020G, the vast majority of the Outsourcing Services business line's revenue was derived from sales to stc and government related entities, the Company believes that it is well positioned to access an emerging market for small and medium enterprises in the future. In particular, the Company has the ability to leverage additional internal capabilities with the aim of further developing its existing outsourcing service offering. For example, by expanding its internal platforms (such as internal tools allowing employees to view and request human resource related services and communicate internally) to provide these business process outsourcing services to customers, utilizing the Digital Services capabilities to automate customer processes and utilizing the Subsidiary's lower cost base to deliver projects to customers at more competitive price points, and emphasizing the Company's Cybersecurity capabilities within the context of customer safety of information. The existing customer base is expected to provide a strong base to accelerate the Outsourcing Services business line's new offerings.

The Outsourcing Services business line is well positioned to benefit from a number of significant strengths going forward. In particular, the Company currently is able to draw upon an existing pool of approximately three thousand five hundred (3,500) human resources services. Further, the Company maintains a strong local presence paired with established cybersecurity capabilities, high Saudization levels in alignment with government strategy, strong positioning for the development of tech and automation-driven service offerings, strong relationships with large government customers and a strong cash position enabling the Company to invest significantly in further developing its capabilities.

D. Managed Services

The Managed Services business line accounted for 4.0%, 4.8% and 5.8% of the Company's total net revenue for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, with a CAGR of 56.7% between 2018G and 2020G.

The Company delivers Managed Services principally as an "up-sell" of its classic connectivity products. Through its Managed Services business line, the Company provides end-to-end management of business networks such as managed projects, managed LAN and managed router services, which are summarized below:

- **Managed Projects:** Private wireless access for employees and a public Wi-Fi network for guests in one fully managed, end-to-end solution. The service includes built in security and handles over 200 users per access point.
- **Managed Router Service:** A value-added service on top of data connectivity delivered to help enterprises, governments and data centers, by having their router infrastructure managed.

- **Managed LAN Service:** Remote monitoring and management of LAN switches at port level with global reach of cloud-based switches.

In addition to the foregoing, the Company continually seeks to expand the offering of its Managed Services business line. New products which the Company provides include “APM managed services”, which enable customers to monitor, analyze and optimize complex application environments at scale, and “cloud edge services”, which allow IT departments across customer verticals to simplify the central management of multiple functions and vendors. By drawing upon its existing capabilities to offer end-to-end managed services to its customers, the Company has broadened its horizon to be able to offer managed services across different business lines and ensure a high level of customer experience.

The sell-to-B2B channel is the primary contributor to the Managed Services business line, driven by high demand for managed services among stc’s customers in the government sector, with the Company continuing to focus on diversifying its private sector and small and medium enterprise customer base. Key customers for the Managed Services business line include a number of ministries and other government agencies. The performance of the Managed Services business line is measured by a number of internal metrics including revenue targets and customer satisfaction indices, with a customer satisfaction rate of 90% for the year 2020G.

The Managed Services business line is well placed to benefit from a number of significant strengths going forward. In particular, the business line is able to draw upon a wide network of partners ensuring a broad reach within products and services in both major cities and remote locations, a diversified team of highly qualified engineers and technicians and access to state-of-the-art technology.

E. Cloud Services

The Cloud Services business line accounted for 6.7%, 9.1% and 9.8% of the Company’s total revenue, net for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, and experienced a CAGR of 58.4% between 2018G and 2020G, with all services growing at a faster rate than the broader market.

Through its Cloud Services business line, the Company generates revenue by selling cloud and data center products enabling large data storage and high ability to recover and present information, including the capability to build and manage datacenters for customers. In addition, the Company is able to offer its customers access to high standard infrastructure, with services hosted on highly secured Tier 3 and Tier 4 datacenters. The Company’s strong local presence, customer reach, broad partnership arrangements (including, for example, VMWare, Dell, Microsoft and Oracle) and cross-selling are the key growth drivers in the Company’s cloud offering. The Company generates revenue from this business line by either (i) selling the Company’s own “off-the-shelf” or customized cloud products, or (ii) acting as an agent for third-party technology providers by delivering hardware and bundled products and solutions to customers.

Through this business line, the Company provides the full spectrum of data center and cloud services to its customers, which are summarized below:

- **Cloud connectivity services:** Services related to cloud-specific cloud data services that provide customers with volumetric based data especially designed for cloud workloads or cloud services. These services also include the selling of dedicated internet and IPVPN connectivity as an add-on for all data center and cloud services.
- **Cloud data center services:** Offering co-location services in Tier 3 and Tier 4 data centers to customers.
- **Cloud core services:** IaaS, built around virtual machines with related add-ons, such as storage and operating system images.
- **Cloud partner services:** Services offered jointly with cloud partners to ensure best in class technology is used to address the evolving needs of customers. These services cover both SaaS and PaaS offerings. Cloud partner services have consistently been the Company’s dominant product in terms of revenue, due to the wide range of the Company’s own and third-party services offered.
- **Cloud projects services:** Cloud projects customized to customer needs.

In addition, the new products which the Company provides include “backup as a service”, which enables customers to access secure and reliable backup and recovery systems and “disaster recovery as a service”, which replicates the hosting of physical or virtual servers in the event of a customer’s system failure. In addition, the capability of the Cloud Services business line has been demonstrated through a number of successful projects and initiatives, including the hosting and implementation of NVIDIA GPUs to build the Kingdom’s first AI and deep learning cloud infrastructure, thereby enabling enterprises to fast-track AI adoption; the expansion of the Company’s data centers and the hosting of hyperscale cloud providers, such as Alibaba, on stc’s private cloud environment; the provision of infrastructure, hosting, implementation and managed services for stc’s Big Data Analytics Lab; and the hosting of multiple government organizations as well as enterprises such as Activision, which hosted its gaming infrastructure on stc’s public cloud in order to serve gamers in the region.

The sell-to-B2B channel is the primary contributor to the Cloud Services business line. In particular, the Company has commenced generating revenue from direct sales of cloud services through the cloud marketplace. Government customers are major revenue contributors to this business line. In the sell-to-stc channel, the Company has also been awarded a large, multi-year, projects with stc with respect to a delivery platform for data production and monetization. Key customers for the Cloud Services business line include Bank Al Jazira and a number of ministries and government agencies. The business line's strong relationship with its customers is evidenced by a customer satisfaction rate of 90% for the year 2020G.

The Cloud Services business line is well positioned to benefit from a number of significant strengths going forward. In particular, the business line is able to draw upon a data driven business model enabling innovation and the flexibility to adapt to market changes, high levels of satisfaction and long-term relationships with customers, a strong local presence and track record of regulatory compliance and healthy revenue growth and the potential for cross-selling of connectivity and managed services.

F. Cybersecurity

The Cybersecurity business line accounted for 7.6%, 8.2% and 8.4% of the Company's total net revenue for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, and experienced a CAGR of 37.0% between 2018G and 2020G, exceeding the rate of growth of the broader market.

Through its Cybersecurity business line, the Company provides planning, design, implementation, and project management as a technical solution that addresses customers' specific security needs in the context of cybersecurity integration projects.

Over the past three years, the Company has increased its cybersecurity capabilities, continuously evolving to meet industry requirements by partnering with over 75 security vendors and maintaining NCA regulation compliance. This collection of skillsets and experiences serves as one of the business line's primary differentiating factors, in addition to its strong relationships with key partners such as Cisco, Fortinet, IBM and PaloAlto Networks.

Key customers for the Cybersecurity business line include National Commercial Bank, Jeddah Municipality, Alqassim University, the Zakat, Tax, and Customs Authority and Tatweer Educational Technologies Company. The business line's strong relationship with its customers is evidenced by a customer satisfaction rate of 95% for the year 2020G.

The Cybersecurity business line, through cybersecurity integration projects, is well placed to benefit from a number of significant strengths going forward. In particular, the business line is able to draw upon its high level of technical and security expertise, its strong local presence and understanding of the Kingdom's market, its ability to design and develop fully customized security solutions in order to provide end-to-end protection and provide customers with the most appropriate technology, regardless of the technology or vendor.

G. Digital Services

The Digital Services business line, consisting of internet-of-things and digital transformation services, accounted for 1.1%, 4.5% and 3.8% of the Company's total revenue in for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively, with a CAGR of 144.5% between 2018G and 2020G.

Through this business line, the Company provides digital solutions to its customers allowing them to connect, monitor and analyze machines and devices for the purpose of making informed and effective decisions, while enabling customers to redesign how their businesses are conducted and enhance their own customer experience. There are three broad categories into which services provided by the business line can be categorized: cloud services, data center services and PaaS. The key services provided under the Digital Services business line are summarized below:

- **Digital Services Projects:** Offers a broad range of project based digital services to customers, differing on a project by project basis, including solutions to connect, monitor and analyze machines/devices for informed and effective decisions.
- **Fleet Control:** Provides fleet connectivity along with the information to help improve work efficiency and optimize fleet operation and cost.
- **ISPAN (Point-of-Sale):** Enables businesses across verticals to offer payment connectivity via banks at any location in the Kingdom. This payment gateway connects merchants' sites with Saudi Central Bank SPAN network.
- **Asset Management:** Service providing the automatic identification and tracking of objects through data encoded in radio frequency identification tags, as well as smart labels capable of being read from significant distances through radio waves.
- **RAQIB:** A solution that enables remote monitoring across a customer's sites, as well as video analytics, through a monthly subscription.

In addition to the foregoing, the Company continually seeks to expand the offering of its Digital Services business line, and expects its product mix to continue evolving into the future.

The Digital service business line benefits from both a sector development function and a business development unit, which contribute to achieving synergies with other business lines within the Company. For instance, the sector development function will assist in the delivery of the Company’s products and work with the system integration team on a variety of projects. Likewise, the business development unit contributes to the cross-selling of products offered across the Company’s business lines.

The Digital Services business line is also well placed to benefit from its strong market presence, being the only local based provider of cloud services in the Kingdom, and the close relationship between the Company and stc. In particular, the Digital Services business line has historically benefitted from the marketing and sales teams of stc, as well as benefitting from technology investment from stc in the context of certain large projects. In addition, the Digital Services business line has worked closely with the EBU of stc in the development of products and services.

Key customers for the Digital Services business line include KFSH Hospital, King Abdullah Bin AbdulAziz University Hospital, and various ministries and government entities. The performance of the Digital Services business line is measured by a number of internal metrics, with a customer satisfaction rate of 81% for the year 2020G.

4-7-2 Sales Channels

The Company’s business model is based around selling IT services and solutions via the following key customer channels:

- direct sales to stc and its subsidiaries (“sell-to-stc”); and
- sales to B2B customers (“sell-to-B2B”), which include sales through stc (“sell-through-stc”) and direct sales to B2B customers (sell-direct).

The following table illustrates the market transition approach, which is regulated by a variety of agreements between the Company and stc, and which enables the Company to access a wide customer base:

Table (4-10): Market Transition Approach Regulated by Agreements between the Company and stc

Key Customer Segments	Sales and Market Channels	Type of Projects and Services	Business Model			
			Accounts Management	Pre-Sales and RFP Preparation Functions	Contracting and Billing	Delivery of Works
B2B customers (including the Government, large businesses and SMEs)	Sell-direct	System integration, communication and internet, outsourcing services, managed services, cloud services, Cybersecurity, and digital services	stc and the Company	The Company	The Company	The Company
	Sell-through-stc		stc and the Company	The Company	stc	The Company
stc (the substantial shareholder)	Sell-direct	System integration services, outsourcing services, cybersecurity, managed services, and digital services for stc and its subsidiaries	The Company	The Company	The Company	The Company

Source: The Company

The business model for a variety of agreements between the Company and stc includes four (4) main functions:

- **Accounts Management:** Through Accounts Management, the Company and/or stc (according to the sales channel as set out in the above table) manage relationships with the Company’s customers to ensure that the Company understands the needs of customers in B2B ICT sector, in addition to informing customers of the latest changes in the sector based on how those changes are relevant to the needs of the Company’s customers. Accounts Management also provides continuous support for the Company’s customers to ensure timely and highly-efficient delivery of services to the Company’s customers, and thus gain customer satisfaction, retain customers, and attract more customers to the Company.
- **Pre-Sales and RFP Preparation Functions:** Through Pre-Sales and RFP Preparation Functions, the Company analyzes potential projects through the relevant departments of the Company in terms of the relationship with the customer, the Company’s ability to meet the customer’s requirements, the risks associated with those projects focusing on the attractive and expected opportunities, and the pricing of those opportunities using the Company’s pricing model, which depends on minimizing costs incurred by the Company and aims to increase the profit margins for those projects. The Company calculates the profitability of the projects separately to assess their attractiveness compared to the associated risks.
- **Contracting and Billing:** This includes billing and collecting amounts from the Company’s customers.

- **Delivery of Works:** The Company ensures that projects are implemented and delivered to customers through the relevant departments of the Company.

A. Direct Sales to stc

The Company provides system integration, outsourcing services, managed services, cybersecurity, and digital services to stc and its subsidiaries. Revenue generated by direct sales to stc and its subsidiaries as a proportion of the Company's total revenue, net was 42.7%, 39.2% and 35.2% for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively. Moreover, the Company has sought to optimize its working capital arrangements by negotiating favorable payment terms in agreements with stc, its customers and its suppliers, and renegotiating payment terms and structure where appropriate, as well as maintaining a working capital facility which can be drawn upon when required.

stc is the largest telecommunications provider in the Kingdom, and has embarked on many transformational initiatives, such as cloud based networking and digital transformation, to maintain its leading position in the market. Through its relationship with stc, the Company has access to participate in a competitive bidding process with respect to stc's large public and private projects in the Kingdom. In particular, stc plays a key role in the support of Vision 2030 and the broader diversification strategy of the Kingdom. For instance, in the Vision 2030 plan, the government has indicated that it will partner with the private sector to develop telecommunications and information technology infrastructure, especially high-speed broadband, expanding its coverage and capacity within and around cities and improving its quality, with a specific goal to exceed 90% housing coverage in densely populated cities and 66% in other urban zones. Having stc as an anchor customer provides the Company with a strong revenue base.

B. Sales to B2B Customers

The Company provides system integration services, communication and internet, outsourcing services, managed services, cloud services, cybersecurity, and digital services to its B2B customers. The Company's relationship with stc also enables the Company to expand further in the B2B market, while also being able to sell its IT services and solutions directly to B2B customers. stc has a large salesforce with wide reach and established customer relationships. The Company leverages these relationships and the ability to cross-sell IT solutions to stc's connectivity customers. Using stc as a sales partner also enables the Company to gain access to opportunities which are open only to the few telecommunications license holders in the Kingdom, which include stc. In certain circumstance, the Company offers services directly to B2B customers for special projects that require agility in the procurement and bidding process (in which case the Company may be better positioned than stc), or where the Company has the required licenses or qualifications for the project (such as "Microsoft licensed reseller") which stc does not hold. The Company expects to invest further in its direct sales capability in the medium to long term, in particular through the development of its own in-house sales and marketing teams, which will further contribute to its direct selling capability.

When selling through stc through this channel, the Company sells IT services to B2B customers, where stc is the primary sales partner for the Company's services and solutions, whereby stc contracts with customers and coordinates sales and account management to ensure maximum customer centricity and single point of contact for the customer. The Company is then responsible for product development, technical implementation and delivery, as well as bid development for its products and solutions. The Company also operates and maintains the products, solutions and associated infrastructure.

The Company's key customers through the sell-to-B2B channel include a number of government ministries and agencies and companies operating in the private sector. Revenue generated through this channel as a proportion of the Company's total revenue, net was 57.3%, 60.8,% and 64.8% for the financial years ended on 31 December 2018G, 2019G and 2020G, respectively. Sales through stc represented 41.9%, 40.2% and 39.0% of the Company's total net revenue for the same period, respectively, while direct sales represented 15.5%, 20.5% and 25.8% of the Company's total net revenue for the same period, respectively.

4-7-3 Revenue Sharing and other Arrangements with stc

The relationship between the Company and stc is governed by service management contracts that set forth their respective roles and responsibilities. These agreements include provisions requiring revenue sharing between the two companies with regard to revenue from services subject to those agreements based on an agreed set of margins between the Company and stc. Following is a summary of the key service management contracts in place between the Company and stc (for more information, please refer to Section 12.6 "**Agreements with Related Parties**" of this Prospectus):

- **Cloud and Managed Services Agreement:** The Company manages and operates data centers owned by stc. The Company has built a cloud market place on which cloud service providers can offer services. The scope of this agreement permits stc to offer the cloud services to its customers under the "stc" brand. The Company operates and maintains the cloud services under service level agreements ("**SLAs**"). The initial term of the cloud and managed services agreement is five (5) years which expired on 16/05/1442H (corresponding to 31/12/2020G) and was automatically extended for another five years.

- **Managed and Digital Services Agreement:** Pursuant to the managed and digital services agreement, the Company provides to stc product development and management activities for certain managed services (including managed router services, managed Wi-Fi services and managed security services) and digital services (including internet of things services, transportation and logistics (fleet control, asset tracking and monitoring), smart city (smart parking, smart lighting, smart energy), healthcare, robotics, data analytics, enterprise mobility management and financial and retail point of sales services). Concurrently, stc provides to the Company sales and business development activities for managed and digital Services (including billing customers, collecting payments and managing customer care). The initial term of the cloud and managed services agreement is five (5) years, which expired on 16/05/1442H (corresponding to 31/12/2020G), and was automatically extended for another five years.
- **DIA Services Agreement:** Pursuant to the DIA services agreement, the Company and stc agreed on a framework for the provision of internet services and solutions to stc's customers as a sub-contractor of stc's EBU, which include the provision of materials, equipment and all additional related services. Pursuant to the agreement, stc contracts directly with customers for dedicated internet access services and then issues work orders to the Company. The initial term of the DIA agreement is five (5) years, which expired on 16/05/1442H (corresponding to 31/12/2020G), and it was automatically extended to another five years.
- **VSAT Services Agreement:** Pursuant to the VSAT Services Agreement, the Company provides satellite telecommunications services to stc's customers (as a subcontractor), where stc contracts directly with customers and then issues work orders to the Company. The initial term of the agreement and internet solutions for business unit customers is five (5) years, which expired on 16/05/1442H (corresponding to 31/12/2020G), and it was automatically extended to another five years.

4-7-4 Key Milestones

Table (4-11): Key Milestones

Year	Milestone
2003G	The Company (previously known as AwalNet) merged with Naseej and Alamia.net, in a merger of the Kingdom's three largest ISPs. The Company was established as a Saudi limited liability company with a fully-paid capital of ten million Saudi riyals (SAR 10,000,000).
2007G	stc acquired the Company (previously known as AwalNet) for the purpose of providing communication and managed services for stc.
2009G	The Company (previously known as AwalNet) awarded its first systems integration project, with a value of approximately SAR 100 million.
2011G	The Company's capital was increased from ten million Saudi riyals (SAR 10,000,000) fully-paid up to one hundred million Saudi riyals (SAR 100,000,000).
2011G	The Company (previously known as AwalNet) started developing cloud capabilities for in-house usage.
2014G	The Company rebranded as "stc Solutions". The Company expanded its presence to all major cities in the Kingdom and increased its headcount to over 800 employees.
2015G	The Company expanded its cloud capabilities and built a cloud platform.
2017G	The Company entered into the cybersecurity integration space. The Company developed IoT capabilities.
2019G	The Company rebranded as "solutions by stc".
2020G	Launch of the Company's strategy plan 2020-2023 to become a digital solutions innovator while sustaining growth and enhancing profitability.
2020G	The Company's capital was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion, two hundred million Saudi riyals (SAR 1,200,000,000) and the Company was converted from a limited liability company to a closed joint stock company.

Source: The Company

4-8 Customers

The Company has a diverse customer base, with a current focus on corporate customers wholly in the public and private sectors. The Company's net revenues from the top ten (10) government and semi-government customers for the years 2018G, 2019G and 2020G amounted to SAR 2,682 million, which represents 16.6% of the Company's total revenues, net for the same period, The Company's net revenues from the top ten (10) private sector customers for the years 2018G, 2019G and 2020G amounted to SAR 660.1 million, which represents 4.1% of the Company's total revenues, net for the same period (for further information, see Table 4.13 "The Company's top ten government and semi-government customers during the financial years ended on 31 December 2018G, and 2019G and 2020G" and Table 4.14 "The Company's top ten private enterprise customers during the financial years ended on 31 December 2018G, 2019G and 2020G" of this Prospectus).

The following table illustrates the Company's sales to stc, government and semi-government customers, and private sector customers in 2018G, 2019G and 2020G:

Table (4-12): Company Sales by Type of Customer (SAR '000)

Type of Customer	2018G	2019G	2020G
stc	1,723,949	2,063,476	2,424,101
Government and semi-government customers	1,789,221	2,472,022	3,474,481
Private sector institutional customers	528,129	721,798	992,837
Total	4,041,299	5,257,296	6,891,419

Source: The Company

Government and semi-government customers directly include ministries, while directly or indirectly including government agencies.

The Company currently has specialized sales teams divided into three verticals, which target distinct customer types: companies operating in the private sector, government and stc. The private sector sales team is further subdivided into commercial sales (including managed accounts and sales to small and medium enterprises), group synergy and corporate (which itself is further subdivided by regional focus). The government sales team is subdivided into health and education, regional municipalities, defense, security and royal sales teams. stc sales team is divided into a stc network sales team and a stc IT team. Following is a summary of the distinctive features of the sales verticals in place at the Company:

- **Private Sector Companies:** The private sector sales vertical has experienced rapid growth in its number of customers in recent years, with three hundred fifteen (315) different customers served in 2018G increasing to five hundred eighty-five (585) different customers served in 2020G, an increase of 85.7%. As part of its tender process, the enterprise sales vertical considers technical compliance, similar experience, pricing and facilitated financing as key criteria to win tenders.
- **Government:** The government sales vertical has also seen significant growth in terms of the number of customers in recent years, as the Company provided services to one hundred twenty-two (122) different customers in 2018G and one hundred seventy-eight (178) different customers served in 2020G, an increase of 45.9%. As part of its tender process, the government sales vertical considers technical compliance, similarity of experience, customer relationships, pricing, supplier partnership agreements and technology offered as key criteria to win a request for proposal.
- **stc:** Although the stc sales vertical is focused solely on sales to stc, the Company has expanded its product and service offering in recent years, extending into new technologies, as well as more standard solutions. As part of its tender process, the stc sales vertical officially submits proposals through stc's procurement portal. Key criteria considered by the Company when submitting proposals to stc include technical, commercial, compliance, contractual clauses, supplier partnership agreements and technology offered.

The table below provides the key information for the Company's top ten (10) government and semi-government customers for the financial years ended on 31 December 2018G, and 2019G and 2020G. The top ten (10) government and semi-government customers were determined based on total net revenue between 2018G and 2020G:

Table (4-13): The Company's top ten government and semi-government customers during the financial years ended on 31 December 2018G, and 2019G and 2020G

Customer	Services Provided	Revenue, net (SAR million) 2018G	Revenue, net (SAR million) 2019G	Revenue, net (SAR million) 2020G	Revenue, net (SAR million) 2018G - 31 December 2020G	Percentage of total Company revenue, net for the years 2018G - 31 December 2020G
Customer 1	Core ICT services, and IT managed services & operational services	139	183	224	547	3.4%
Customer 2	Core ICT services, Digital services, and IT managed services & operational services	138	163	134	435	2.7%
Customer 3	Core ICT services, Digital services, and IT managed services & operational services	55	222	122	399	2.5%
Customer 4	Core ICT services, and IT managed services & operational services	40	111	157	307	1.9%

Customer	Services Provided	Revenue, net (SAR million) 2018G	Revenue, net (SAR million) 2019G	Revenue, net (SAR million) 2020G	Revenue, net (SAR million) 2018G - 31 December 2020G	Percentage of total Company revenue, net for the years 2018G - 31 December 2020G
Customer 5	Core ICT services, Digital services, and IT managed services & operational services	105	11	175	291	1.8%
Customer 6	IT and managed services and operational services	-	26	197	223	14%
Customer 7	Core ICT services, and IT managed services & operational services	36	51	49	136	0.8%
Customer 8	Core ICT services, and IT managed services & operational services	14	53	68	135	0.8%
Customer 9	Core ICT services, Digital services, and IT managed services & operational services	28	24	61	113	0.7%
Customer 10	Core ICT services, Digital services, and IT managed services & operational services	11	17	69	96	0.6%
Total:		566	861	1,256	2,682	16.6%
Total Company revenue, net for the years 2018G - 31 December 2020G					16,190	100%

Source: The Company

During the financial years ended on 31 December 2018G, 2019G, and 2020G, the Company's top ten government and semi-government customers encompassed 16.6% (SAR 2,682 million) of the Company's total net revenue.

The table below provides the key information for the Company's top ten private enterprise customers for the financial years ended on 31 December 2018G, and 2019G and 2020G. The top ten (10) private sector customers were determined based on total net revenue between 2018G and 2020G:

Table (4-14): The Company's top ten private sector customers during the financial years ended on 31 December 2018G, 2019G and 2020G

Customer	Sector	Services Provided	Revenue, net (SAR million) 2018G	Revenue, net (SAR million) 2019G	Revenue, net (SAR million) 2020G	Revenue (SAR million) 2018G - 31 December 2020G	Percentage of total Company revenue, net for the years 2018G - 31 December 2020G
Customer 1	Manufacturing	Core ICT services, Digital services, and IT managed services & operational services	51.3	70.7	82.5	204.6	1.3%
Customer 2	Banking	Core ICT services and Digital services	-	1.0	178.2	179.2	11%
Customer 3	Banking	Core ICT services and Digital services	46.7	28.5	2.8	78.0	0.5%
Customer 4	Utilities	Core ICT services, Digital services, and IT managed services & operational services	20.7	3.6	14.4	38.7	0.2%
Customer 5	Construction	Core ICT services and Digital services	23.8	10.6	-	34.5	0.2%
Customer 6	IT	Digital services	16.9	11.6	0.5	29.0	0.2%
Customer 7	Financial	Core ICT services	23.1	1.2	1.8	26.2	0.2%
Customer 8	Consumer goods	Core ICT services	-	17.2	6.9	24.2	0.1%
Customer 9	Banking	Core ICT services	21.5	-	2.2	23.7	0.1%

Customer	Sector	Services Provided	Revenue, net (SAR million) 2018G	Revenue, net (SAR million) 2019G	Revenue, net (SAR million) 2020G	Revenue (SAR million) 2018G - 31 December 2020G	Percentage of total Company revenue, net for the years 2018G - 31 December 2020G
Customer 10	Insurance	Core ICT services and Digital services	-	79	14.1	22.0	0.1%
Total:			204	152.3	303.4	660.1	4.1%
Total Company revenue for the years 2018G - 31 December 2020G						16,190	100.0%

Source: The Company

During the financial years ended on 31 December 2018G, 2019G and 2020G, the Company's top ten private enterprise customers accounted for 4.1% (SAR 660.1 million) of the Company's total revenue, net (for more information about material contracts between the Company and top customers, please refer to Section 12 "Legal Information") of this Prospectus sets out a summary of the material contracts between the Company and its key customers.

4-8-1 Suppliers

The Company relies on products and services provided by third party suppliers. The Company also partners with global technology vendors and integrates them into the solutions that it offers to customers, across various product categories. Total purchases from suppliers amounted to SAR 2,076,585,010, SAR 2,018,897,890, and SAR 2,468,905,306 in 2018G, 2019G and 2020G, respectively.

The following table provides key information on the Company's top ten (10) suppliers for the financial years ended 31 December 2018G, 2019G and 2020G:

Table (4-15): The Company's Top Ten (10) Suppliers for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Supplier	Sector	Services Provided	Company's Rating*	Start Date of Relationship Between the Supplier and the Company	Total Value of Purchases for 2018G-31 December 2020G (SAR)
Microsoft	All	Core ICT services and digital services	Gold**	2018G	1,294,604,160
Cisco	All	Core ICT services, digital services, IT managed services and operational services	Gold**	2010G	1,167,938,315
HPE	All	Core ICT services, digital services, IT managed services and operational services	Silver	2010G	473,062,600
CRAY Inc	Oil & Gas	Core ICT services	Silver	2019G	367,650,001
Oracle	All	Core ICT services and digital services	Gold	2013G	341,378,998
DellEMC	All	Core ICT services	Titanium**	2015G	305,628,276
Juniper Networks	All	Core ICT services and digital services	Premium**	2014G	284,619,021
Huawei	All	Core ICT services, IT managed services and operational services	Added value partner**	2018G	203,041,625
Ericsson AB	Telecommunications	Core ICT services	Resale agreement	2018G	163,930,307
IBM	All	Core ICT services and digital services	Silver	2011G	120,367,999
Total					4,722,221,302

* Suppliers classify their partners (including the Company) based on specific criteria and subject to certain requirements, which vary by the relevant product and supplier. All of these criteria and requirements aim to ensure the quality of customer service and the cooperative relationship with the supplier, including, but not limited to, criteria related to realization of annual procurement targets, the number of sales staff, the number of employees holding qualification certificates regarding the supplier's products, fulfillment of technical support requirements in terms of the number of working hours and the speed and quality of response to customer requirements. Obtaining a high rating with supplier enables the Company to better market its products and distinguishes it from other competitors receiving a lower rating. In addition, a higher rating leads to suppliers recommending dealing with the Company.

**Highest rating levels.

Source: The Company

4-9 Business Continuity

Members of the Board of Directors acknowledge that there has been no interruption or suspension of the business of the Company or its associate companies during the last twelve months that has or might have a significant effect on the Company's financial position.

4-10 Employees

As of 31 December 2020G, the Company, across all its branches, had 1,494 employees; 862 (58%) are Saudi nationals and 632 (42%) are non-Saudi nationals. The Subsidiary was established in 2019G with nine (9) employees and increased to sixteen (16) employees in 2020G. The following section of this Prospectus below provides a breakdown of the Company's employee data by nationality and Saudization percentages. Employee Saudization data does not include Saudization data for outsourced employees and does not include the Company's Directors, as all of them are non-executive. Table (0.1) and Table (5.2) set out the classification and status of the Company's Directors (i.e., executive/non-executive/independent). The table below provides a breakdown of the Company's employees by activity and type:

Table (4-16): The Company's employees by activity and type as of 31 December 2018G, December 2019G and 31 December 2020G

Department	31 December 2018G				31 December 2019G				31 December 2020G			
	Saudi	Non-Saudi	Total	Saudization (%)	Saudi	Non-Saudi	Total	Saudization (%)	Saudi	Non-Saudi	Total	Saudization (%)
Senior Management Team (including the position of Director of Department and above excluding the CEO)	51	15	66	77	63	21	84	75	67	17	84	80
Products and services	124	81	205	60	135	80	215	63	139	78	217	64
Sales and delivery	327	415	742	44	412	510	922	45	395	460	855	46
Administrative and support	192	89	281	68	235	84	319	74	261	77	338	77
Total:	694	600	1,294	54	845	695	1,540	55	862	632	1,494	58

* The percentages in the table have been rounded off to the nearest integer.

Source: The Company

The following table sets out the Company's total employees, including details of external project personnel according to outsourcing services. It does not include the Company's Directors, given all of them are non-executive. Table (0.1) and Table (5.2) show the classification and status of the Company's Directors (i.e., executive/non-executive/independent).

Table (4-17): Company Employees, Including External Project Personnel as of 31 December 2018G, 31 December 2019G and 31 December 2020G

Department	31 December 2018G				31 December 2019G				31 December 2020G			
	Saudi	Non-Saudi	Total	Saudization (%)	Saudi	Non-Saudi	Total	Saudization (%)	Saudi	Non-Saudi	Total	Saudization (%)
Company employees	694	600	1,294	54	845	695	1,540	55	862	632	1,494	58
External project personnel (outsourcing services)	1,643	1,516	3,159	52	1,824	1,424	3,248	56	2,423	1,660	4,083	59
Total	2,337	2,116	4,453	52	2,669	2,119	4,788	56	3,285	2,292	5,577	59

Source: The Company

In addition to the above, as of 31 December 2020G, 88% of the Company's employees were male and 12% of the Company's employees were female, as compared to a male employee percentage of 95%, 90% and 88% as at 31 December 2018G, 31 December 2019G and 31 December 2020G, respectively.

4-10-1 Training

The strength and success of the Company can be attributed to the expertise and experience of its employees. It is the Company's policy to ensure that its staff have adequate qualifications and training in line with international standards and receive the necessary training to enable them to perform their duties and tasks effectively, efficiently, and safely. The Company offers a dedicated training program for its entire staff, which covers soft skills and technical aspects, as well as project management. The development programs of the Company seek to provide a structured career path to employees, who may pursue a technical career path or a leadership career path, with specialization after entry at the new-starter level. Employees who undertake a leadership career track can progress from a functional specialist or generalist, to front line manager, manager, director, general manager and potentially to executive management, while employees who undertake a technical career track can progress from a functional specialist or generalist, to senior functional specialist, subject matter expert and senior or lead subject matter expert. The Company seeks to provide employee development training through different methods, in alignment with its strategy, in order to ensure that appropriate skills are available within the Company. The following are some of the most prominent programs:

- **Solutions Futurists Program:** a customized program in partnership with IESE Business School that aims to prepare and develop selected employees as leaders by providing training in business skills and knowledge, as well as developing collaboration and mindset skills applicable within the Company;
- **Digital Collaboration Program:** a program that aims to enhance virtual and digital communication between teams while utilizing diverse digital platforms to cope with current remote working environments;
- **Talks by Solutions Program:** a series of webinars in which guests speakers (either from within the Company or external) provide information on diverse topics including leadership skills and technical expertise;
- **Virtual Coaching Program:** a coaching program in partnership with coREACH institute which focusses on coaching employees with a view to elevating individual performance and effectiveness as well as team productivity and individual leadership capabilities;
- **Virtual Mentorship Program:** a program the objective of which is to establish and expand an internal SME mentors pool from within the Company, and from which employees can select to become a mentee, in order to encourage knowledge transfers within the Company and further develop internal engagement levels;
- **LinkedIn Learning:** a subscription service for employees on the LinkedIn Learning platform providing content to develop skills, prepare for professional certification exams, and provide insight on a variety of specific topics;
- **In-House and Virtual training classes:** training classes developed based on annual training needs analysis undertaken by the Company in partnership with various training institutes covering areas of technical training, certification exam preparation as well as soft skills; and
- **Signature by Solutions:** a management onboarding program for recently promoted and soon to be promoted managers at the Company focusing on key skills and competencies required by managers within the Company.

4-10-2 Employee profile and culture

The Company aims to provide an attractive environment to both current employees and prospective hires and achieve a high level of employee engagement by cultivating a culture aligned with the three values of devotion, dynamism and drive. In order to monitor employee satisfaction and feedback, the Company undertakes semi-annual employee engagement surveys and registers feedback accordingly. In addition, the Company regularly reviews its compensation and benefits strategy in order to continue to offer a competitive rewards scheme within the context of the broader market. The Company also offers a number of benefits to its employees including personal, housing and education loans, medical fund support, child nursery allowances and retention rewards, as well as clear structures for employee progression, with continuous feedback, mentoring and coaching opportunities. Moreover, the Company also encourages participation in community initiatives throughout the Kingdom, such as the Saudi Human Resources Development Fund, which provides opportunities to graduates to attend a technical development programme. The Company has been able to effectively attract and retain talent in consequence to this employee culture, with an attrition rate of 5.8% in the year 2020G and 8.3% in the year 2019G.

4-10-3 Saudization and Nitaqat

The number of Saudi male and female employees at the Company according to the Nitaqat program reached 58.9% of the total manpower of the Company as of 31 December 2020G, with the Company receiving a "Platinum" classification in the Ministry of Labor's Nitaqat program, which calculates the Saudization percentages based on a specific mechanism that takes into consideration the Saudization percentage over a period of twenty-six (26) weeks. The Company has been, and continues to be, fully committed to achieving the government's policy on Saudization. For this reason, training and the development of Saudi skills and capabilities are a high priority for the Company. The table below provides a summary of the employee data by nationality, Saudization percentage, and Nitaqat certification as of 31 December 2020G. Note that employees registered in the Nitaqat program include Company employees and external project personnel.

Table (4-18): The Company's employee data by nationality, Saudization percentage, and Nitaqat certification as of 31 December 2020G

Location	Employees		Saudization (%)	Nitaqat Sector	Nitaqat Classification
	Saudi	Non-Saudi			
Riyadh	3,285	2,292	59%	Maintenance and operation contracting	Platinum

Source: The Company

The Nitaqat Program has been adopted under the Minister of Labor's Resolution No. 4040 dated 12/10/1432H (corresponding to 10/09/2011G) based on the Council of Ministers' Resolution No. 50 dated 21/05/1415H (corresponding to 27/10/1994G) which came into force as of 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Labor initiated the Nitaqat Program for the provision of incentives to institutions so that they employ Saudi citizens. This Program evaluates the performance of any institution based on certain categories, i.e. platinum, green (classified into three subcategories: low green, medium green, and high green), yellow, and red. Enterprises classified within the Platinum and Green categories are deemed in compliance with Saudization requirements and receive some specific benefits, e.g. enabling them to obtain or renew work visas for foreign employees or to change the profession of foreign employees. With respect to enterprises categorized as Yellow or Red (based on the non-compliance of such enterprises), these are deemed noncompliant with the Saudization requirements and are subject to penalty actions, such as limiting their ability to renew work visas for foreign employees or disabling them to obtain work visas for foreign employees or renewal thereof.

4-10-4 Management Systems

The Company has multiple systems in place to manage both internal and customer-facing operations. With a view to optimizing internal collaboration, the Company has developed a platform, which is used for social communication interactive functionalities such as the sharing and discussion of information. Additionally, the Company maintains a business process management, automation and control and eServices platform, which is used across the organization for seamless and transparent collaboration. Similarly, the Company operates several external facing tools, which are currently utilized or under development in order to ensure the highest level of customer experience, including the following:

- **Enterprise Resource Planning (ERP) platform:** An internal tool for all Company resources covering financials, supply chain, projects, and human resources, with key functions including a HR self-service platform for employees to interact with HR seamlessly, with workflow enabled for their requests. The platform also includes supplier interaction through the "isupplier" portal for raising invoices and tracking payments.
- **Customer relationship management ("CRM") platform:** A CRM platform covering all customer oriented and sales related activities from leads to opportunity management covering required workflows, validations and reporting.
- **Enterprise Performance Management (EPM):** An internal tool that provides end-to-end project management by allowing project managers to monitor and manage a project's performance and raised requests.
- **Azer (Customer Support system):** This platform handles the lifecycle for customer service management on an end-to-end basis, including visits to the customer and the identification and fixing of issues, either remotely or on site.
- **Sahel:** A customer-facing tool that allows outsourced employees to log any administrative and human resources-related requests (such as logging vacation days or requesting employee paperwork).
- **C Zone:** An online platform that allows customers to track their projects and outsourced employees. The system was launched the end of 2020G. Going forward, the Company may look to merge C Zone with the Sahel tool.

While the abovementioned technology solutions are already in place, the Company continues to work towards further automating processes related to talent identification, screening, interviewing, performance tracking, training and management for outsourced workforce.

4-10-5 Awards

In recognition of the quality of the brand and the services provided, the Company has received a number of industry awards, some of which are summarized below.

Table (4-19): Awards won by the Company for the period 2018G-31 December 2020G

Award Description	Year
Digital HR Award of the year: for activating digital technology in HCM	2020G
Best HR Technology Implementation Awards	2020G
Committed to Excellence (2 Stars): First ICT company in KSA to be recognized by EFQM	2019G
Ranked #1 IT service provider in KSA for five consecutive years	2015G-2019G

Source: The Company

5- Organizational Structure of the Company

- 5-1 Ownership Structure of the Company
- 5-2 Management Structure
- 5-3 Board of Directors
- 5-4 Board Committees
- 5-5 Executive Management
- 5-6 Cases of Bankruptcy and Insolvency Involving the Directors and Executive Management
- 5-7 Direct and Indirect Interests of the Board of Directors and Executive Management
- 5-8 Remuneration of Directors and Executive Management
- 5-9 Corporate Governance
- 5-10 Conflict of Interest
- 5-11 Employee Shares

5- Organizational Structure of the Company

5-1 Ownership Structure of the Company

The following table sets out the ownership structure of the Company pre- and post- Offering:

Table (5-1): Ownership Structure of the Company Pre-and Post-Offering

#	Shareholder	Pre-Offering			Post-Offering		
		No. of Shares	Overall Nominal Value (SAR)	Percentage	No. of Shares	Overall Nominal Value (SAR)	Percentage
1.	stc	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%
2.	Telecom Commercial Investment Company Limited	3,600,000	36,000,000	3%	-	-	-
3.	Public	-	-	-	24,000,000	240,000,000	20%
4.	Treasury shares*	-	-	-	1,200,000	12,000,000	1%
Total		120,000,000	1,200,000,000	100%	1,200,000,000	1,200,000,000	100%

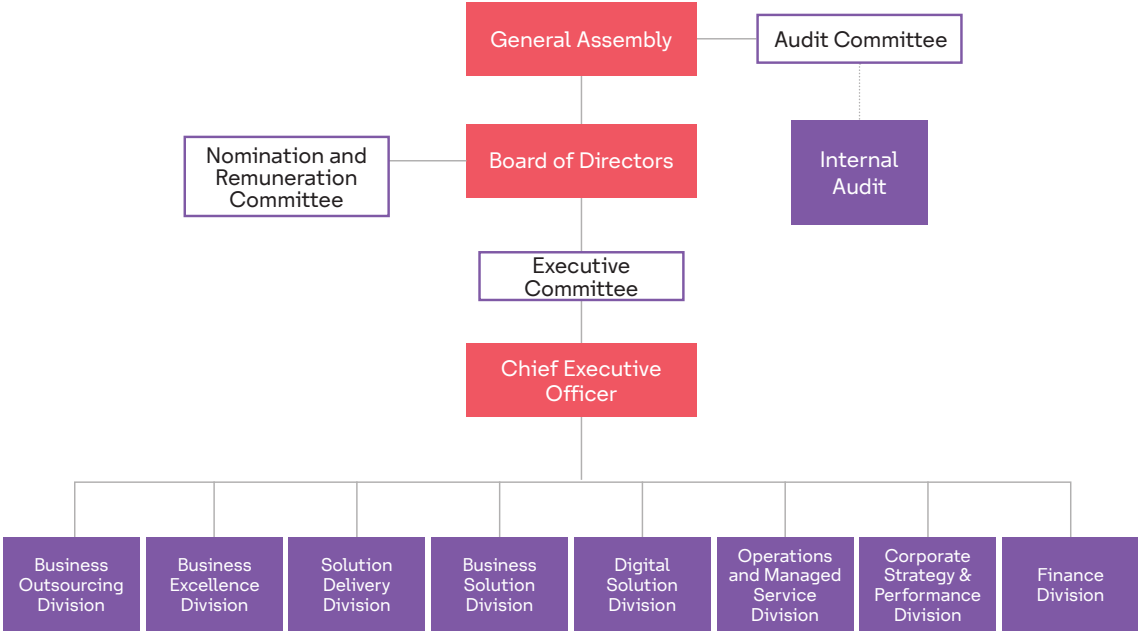
* Upon completion of the Offering, the Selling Shareholder will sell one million, two hundred thousand (1,200,000) shares at the final Offer Price to the Company for use as part of the Company’s Employee Share Scheme (for further details, please refer to Section 5.11 “Employee Shares” of this Prospectus).

Source: The Company

5-2 Management Structure

The following figure illustrates the management structure of the Company, including the Board, supervisory committees and the functions of Executive Management members:

Figure 23: Management Structure of the Company



Source: The Company

5-3 Board of Directors

5-3-1 Formation of the Board

The Company is managed by a Board of Directors consisting of nine (9) Directors, including three (3) independent directors, appointed by the Ordinary General Assembly of Shareholders. The tenure of Directors, including the Chairman, shall be a maximum of three (3) years for each session. As an exception, the Conversion General Assembly shall appoint the first Board of Directors for five (5) years, and they may be re-appointed unless otherwise provided in the Company's Bylaws. The current five-year session of the Board of Directors commenced on 07/5/1442H (corresponding to 22/12/2020G).

The following table shows the Directors and the Secretary as of the date of this Prospectus:

Table (5-2): The Company's Board of Directors

No.	Name	Title	Nationality	Age	Status	Direct Ownership (%)		Indirect Ownership (%)**		Date of Appointment*
						Pre-Of-fering	Post-Of-fering	Pre-Of-fering	Post-Of-fering	
1	Riyadh Saeed Sadeq Muawad	Chairman	Saudi	39 years	Non-executive / Non-independent	-	-	0.000145%	0.000114%	07/5/1442H (corresponding to 22/12/2020G)
2	Haithem Mohammed Mujil AlFaraj	Vice Chairman	Saudi	43 years	Non-executive / Non-independent	-	-	0.000173%	0.000137%	07/5/1442H (corresponding to 22/12/2020G)
3	Emad Oudah Abdullah AlOudah	Director	Saudi	50 years	Non-executive / Non-independent	-	-	0.000094%	0.000074%	07/5/1442H (corresponding to 22/12/2020G)
4	Omar Abdulaziz Nasser AlShabibi	Director	Saudi	46 years	Non-executive / Non-independent	-	-	0.000050%	0.000040%	07/5/1442H (corresponding to 22/12/2020G)
5	Mathad Faisal Mathad AlAjmi	Director	Saudi	41 years	Non-executive / Non-independent	-	-	0.000521%	0.000412%	07/5/1442H (corresponding to 22/12/2020G)
6	Mohammed Abdullah Hassan AlAb-badi	Director	Saudi	43 years	Non-executive / Non-independent	-	-	0.000086%	0.000068%	07/5/1442H (corresponding to 22/12/2020G)
7	Mohammed Abdullah Mohammed Al-Asiri	Director	Saudi	55 years	Non-executive / Independent	-	-	-	-	07/5/1442H (corresponding to 22/12/2020G)
8	Abdullatif Ali Abdullatif Al-Saif	Director	Saudi	42 years	Non-executive / Independent	-	-	-	-	07/5/1442H (corresponding to 22/12/2020G)
9	Fahad Suleiman Mohammed AlAmoud	Director	Saudi	46 years	Non-executive / Independent	-	-	-	-	07/5/1442H (corresponding to 22/12/2020G)

* Dates listed in this table are the dates the Directors were appointed for the current session. The biographies of the Directors state the dates the Directors were appointed to the Board or any other position (for further details, please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus).

** The Directors' indirect ownership resulted from the following: Riyadh Saeed Sadeq Muawad owns 2,890 shares, representing 0.000145% of the shares of Saudi Telecom Company, the substantial shareholder; Haithem Mohammed Mujil AlFaraj owns 3,468 shares, representing 0.000173% of the shares of Saudi Telecom Company, the substantial shareholder; Emad Oudah Abdullah AlOudah owns 1,875 shares, representing 0.000094% of the shares of Saudi Telecom Company, the substantial shareholder; Omar Abdulaziz Nasser AlShabibi owns 1,002 shares, representing 0.000050% of the shares of Saudi Telecom Company, the substantial shareholder; Mathad Faisal Mathad AlAjmi owns 10,421 shares, representing 0.000521% of the shares of Saudi Telecom Company, the substantial shareholder; and Mohammed Abdullah Hassan AlAb-badi owns 1,719 shares, representing 0.000086% of the shares of Saudi Telecom Company, the substantial shareholder.

Source: The Company

The Board Secretary is Firas Abdullah Suleiman Al-Dossary, who was appointed to this position on 11/06/1442H (corresponding to 24/01/2021G). The Board Secretary does not own any shares in the Company directly or indirectly. (For a summary of his biography, please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus.)

5-3-2 Responsibilities of the Board of Directors

The Board represents all Shareholders. It performs its duties of care and loyalty in managing the Company's affairs and undertakes all actions in the general interest of the Company, to develop it and maximize its value. The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. The Board may not issue a general or open-ended delegation.

The Board of Directors shall assume the following responsibilities:

- Without prejudice to the powers conferred on the General Assembly, the Board shall have the broadest powers to manage the Company to achieve its objectives, except for the functions or acts falling within the powers of the General Assembly or expressly excluded under the Companies Law or the Company's Bylaws. The Board may, within the limits of its authorities, deputize one or more Directors or third parties to carry out specific activities.
- Entering into loans regardless of duration, selling or mortgaging the Company's assets or place of business, and discharging the Company's debtors from their liabilities, unless the powers of the Board are limited in this regard by the Company's Bylaws or Ordinary General Assembly resolutions.
- Establishing the Company's plans, policies, strategies and main objectives, supervising the implementation thereof, periodically reviewing them and ensuring that the human and financial resources required to fulfill them are available, including:
 - Setting, reviewing and guiding the Company's comprehensive strategy, key business plans and risk management policies and procedures.
 - Determining the most appropriate capital structure, strategies and financial objectives for the Company, and approving the various estimated budgets.
 - Overseeing the Company's main capital expenditures and acquisition or disposal of assets.
 - Setting performance indicators and monitoring the implementation thereof along with the Company's overall performance.
 - Periodically reviewing and approving the Company's organizational and human resources structure and ensuring the availability of the financial and human resources required to achieve the Company's objectives and key plans.
- Setting and generally overseeing internal control rules and procedures, including:
 - Developing a written policy to remedy actual and potential conflict of interest scenarios for the Directors, Executive Management, and shareholders. This includes misuse of the Company's assets and facilities and mismanagement resulting from transactions with Related Parties.
 - Ensuring the integrity of financial and accounting rules, including rules relating to the preparation of financial reports.
 - Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may face and creating an environment aware of the culture of risk management at the Company level, and disclosing such risks transparently to Stakeholders and parties related to the Company.
 - Reviewing the effectiveness of the Company's internal control procedures on an annual basis.
- Setting forth specific and explicit policies, standards and procedures for membership on the Board, in conformity with the mandatory provisions of the CMA's Corporate Governance Regulations, and implementing them following approval by the General Assembly.
- Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of the Corporate Governance Regulations.
- Setting policies and procedures to ensure the Company's compliance with laws and regulations and its obligation to disclose material information to shareholders and Stakeholders, and ensuring Executive Management complies with these policies and procedures.
- Supervising the management of the Company's finances and cash flows and its financial and credit relationships with third parties.
- Providing recommendations to the Extraordinary General Assembly regarding the following:
 - Increasing or decreasing the share capital of the Company.
 - Dissolving the Company before the end of its term as specified in its Bylaws or deciding to continue the Company.
- Providing recommendations to the Ordinary General Assembly regarding the following:
 - Using the Company's consensual reserve, if such has been formed by the Extraordinary General Assembly and has not been allocated for a specific purpose.

- Forming additional financial allocations or reserves for the Company.
- The method of distributing the Company's net profits.
- Preparing the Company's interim and annual financial statements and approving them prior to publication.
- Preparing the Board report and approving it prior to publication.
- Ensuring the accuracy and integrity of data and information that must be disclosed pursuant to the applicable policies and systems on disclosure and transparency.
- Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's business as well as any material developments.
- Forming specialized Board committees pursuant to resolutions that specify the term, powers and responsibilities of such committees and how they are monitored by the Board as well as the members' names, duties, rights and obligations, and evaluating the performance and activities of these committees and their members.
- Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares, without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
- Establishing the values and standards that govern work at the Company.

For more information on the powers of the Board according to the Company's Bylaws, see Section 12.4 "**Summary of the Company's Bylaws**" of this Prospectus.

5-3-3 Chairman

The Chairman has the authority to represent the Company in its relationships with third parties and before courts, notaries, government departments, dispute resolution committees of all types and levels and all other parties, and may represent the Company with respect to the purchase, sale and conveyance of land and real estate. The Chairman also has the right to sign memorandums of incorporation of companies in which the Company is a shareholder and other contracts, and may delegate any of these powers to others, without prejudice to the competencies of the Board of Directors. The Chairman shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. The competencies and duties of the Chairman shall include the following in particular:

- Ensuring that the Directors obtain complete, clear, accurate and non-misleading information in due course.
- Ensuring that the Board effectively discusses all fundamental issues in due course.
- Representing the Company before third parties in accordance with the Companies Law, the Implementing Regulations thereof and the Company's Bylaws.
- Encouraging the Directors to effectively perform their duties in order to achieve the interests of the Company.
- Ensuring that there are effective communication channels with shareholders and conveying shareholders' opinions to the Board.
- Encouraging constructive relationships and effective engagement between the Board and the Executive Management on the one hand and the Directors on the other hand, and creating a culture that encourages constructive criticism.
- Preparing the agendas for Board meetings, taking into consideration any matters raised by Directors or the external auditor, and consulting with the Directors and the Chief Executive Officer when preparing the Board's agenda.
- Convening periodic meetings with Non-Executive Directors not attended by any of the Company's Executive Directors.
- Notifying the Ordinary General Assembly of the businesses and contracts in which any Director has a direct or indirect interest. The notification shall include the information provided by the Director to the Board, and shall be accompanied by a special report from the Company's external auditor.

For more information on the powers of the Chairman according to the Company's Bylaws, see Section 12.4 "**Summary of the Company's Bylaws**" of this Prospectus.

5-3-4 Board Secretary

The responsibilities of the Board Secretary include:

- Documenting Board meetings and preparing minutes thereof that include the discussions and deliberations carried out during such meetings, as well as the place, date and time such meetings commenced and concluded, and recording and retaining the Board's resolutions and voting results in a special organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending Directors.
- Retaining the reports submitted to the Board and the reports prepared by the Board.

- Providing the Directors with the agenda of the Board meeting and related worksheets, documents and information and any additional information related to the topics included in the agenda items requested by any Director, five (5) calendar days before the date of the meeting.
- Ensuring that the Directors comply with the procedures approved by the Board.
- Notifying the Directors of the dates of Board meetings one month prior to the date set for the meeting.
- Submitting the draft minutes to the Directors to provide their opinions thereon before signing.
- Ensuring that the Directors receive, fully and promptly, a copy of the minutes of the Board's meetings as well as information and documents related to the Company's business.
- Coordinating among the Directors.
- Managing the register of Board and Executive Management disclosures in accordance with Article 92 of the Corporate Governance Regulations.
- Providing assistance and advice to the Directors.
- Following-up on the implementation of the Board's resolutions and submitting periodic reports to the Directors, including data on the status of resolutions.
- Performing all other duties delegated thereto by the Board.

5-3-5 Employment Contracts with Directors

No service or employment contracts have been entered into between the Directors and the Company.

5-3-6 Summary Biographies of the Directors and the Secretary

Following is a summary of the biographies of the Directors and the Secretary:

Table (5-3): Summary Biography of Riyadh Saeed Sadeq Muawad

Name	Riyadh Saeed Sadeq Muawad
Age	39 years
Nationality	Saudi
Title	Chairman
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Computer Science, Boston University, USA, 2005G.
Current Positions	<ul style="list-style-type: none"> • Head of the Company's Executive Committee, from 2021G to date. • Chairman of the Company, from 2020G to date. • Chairman, Public Telecommunication Company, a limited liability company operating in the telecommunications industry, from 2019G to date. • Senior VP of the Business Unit, stc, a listed joint stock company operating in the telecommunications industry, from 2019G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • VP, Corporate and Government Sales at stc, a listed joint stock company operating in the telecommunications industry, from 2015G to 2019G. • Director at Kuwait Telecom Company (stc), a Kuwaiti joint stock company operating in the telecommunications industry, from 2017G to 2019G. • Regional Director at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2012G to 2014G. • Security and Defense Sales Manager at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2010G to 2012G. • Account Manager (Public Sector) at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2008G to 2010G. • Account/Channel Manager (Public Sector) at CA Technologies, a US public company operating in the IT industry, from 2006G to 2008G. • Account Manager at National Technology Company (Bugshan Group), a limited liability company operating in the IT industry, from 2005G to 2006G.

Source: The Company

Table (5-4): Summary Biography of Haithem Mohammed Mujil AlFaraj

Name	Haithem Mohammed Mujil AlFaraj
Age	43 years
Nationality	Saudi
Title	Vice Chairman
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> Bachelor's degree in Applied Computer Engineering, KFUPM, KSA, 2001G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Executive Committee, from 2021G to date. Vice Chairman of the Company, from 2020G to date. Chairman at stc Advanced Technology and Cybersecurity Company, a limited liability company operating in the IT industry, from 2020G to present. Director at Telecommunication Tower Co. Ltd (TAWAL), a limited liability company operating in the telecommunications industry, from 2020G to present. VP of the Technology and Operations Unit at stc, a listed joint stock company operating in the telecommunications industry, from 2018G to present.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Director at Public Telecommunication Company, a limited liability company operating in the telecommunications industry, from 2016G to 2019G. VP of Operations at stc, a listed joint stock company operating in the telecommunications industry, from 2016G to 2018G. Chief IT Operations Officer at Etihad Etisalat Company (Mobily), a listed joint stock company operating in the telecommunications industry, from 2015G to 2016G. VP of Data Hosting and Managed Services at Etihad Etisalat Company (Mobily), a listed joint stock company operating in the telecommunications industry, from 2013G to 2015G. VP of IT Operations at Etihad Etisalat Company (Mobily), a listed joint stock company operating in the telecommunications industry, from 2011G to 2013G. Director of the Data Center at Etihad Etisalat Company (Mobily), a listed joint stock company operating in the telecommunications industry, from 2009G to 2011G. Director of the Information Systems Department at Etihad Etisalat Company (Mobily), a listed joint stock company operating in the telecommunications industry, from 2004G to 2009G. Systems Analyst at Saudi Arabian Oil Company (Aramco), a listed joint stock company operating in the oil and gas industry, from 2001G to 2004G. Project Engineer at Lucent Technologies, a limited liability company operating in the IT industry, from 2000G to 2001G.

Source: The Company

Table (5-5): Summary Biography of Emad Oudah Abdullah AlOudah

Name	Emad Oudah Abdullah AlOudah
Age	50 years
Nationality	Saudi
Title	Director
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> Certificate in Global Management, INSEAD, France, 2016G. Certificate in Corporate Governance/Board Management, INSEAD, France, 2016G. Advanced Management Program Certificate, INSEAD, France, 2016G. Diploma in Management, Institute of Management, UK, 2002G. Bachelor's degree in Information Systems, King Saud University, KSA, 1996G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Executive Committee, from 2021G to date. Director at the Company, from 2020G to date. Director at NAQEL, a limited liability company operating in freight transport by road, from 2020G to date. Procurement and Support Services VP at stc, a listed joint stock company operating in the telecommunications industry, from 2016G to date. Director and Executive Committee Member at Arab Satellite Communications Organization (Arabsat), a limited liability company operating in the telecommunications industry, from 2014G to date.

Significant Prior Professional Experience	<ul style="list-style-type: none"> • Chairman and Head of the Executive Committee at stc Channels, a limited liability company operating in the telecommunications industry, from 2015G to 2019G. • Director at Aqalat Company Limited (Aqalat), a limited liability company operating in the real estate industry, from 2015G to 2017G. • Director at stc Gulf Investment Holding, a limited liability company operating in investment, from 2014G to 2017G. • VP of Regulatory, Governance and Corporate Affairs at stc, a listed joint stock company operating in the telecommunications industry, from 2014G to 2016G. • Director at Public Telecommunication Company, a limited liability company operating in the telecommunications industry, from 2014G to 2016G. • CEO at National Unified Procurement Company for Medical Supplies (NUPCO), a limited liability company operating in medicines and medical devices, from 2009G to 2014G. • General Manager of Electronic Publishing and Chief IT Officer at Saudi Research and Marketing Group, a listed joint stock company operating in the publishing and distribution industry, from 2006G to 2008G. • General Manager at Saudi Information Technology Company (SITE), a limited liability company operating in the IT industry, from 2003G to 2006G. • Director of Sales and Marketing (Public Sector), at Oracle, a limited liability company operating in the IT industry, from 1997G to 2003G. • Program Manager at Saudi Central Bank (formerly the Saudi Arabian Monetary Authority) (SAMA), a government agency that supervises the regulation of banking, finance and insurance sectors, from 1991G to 1997G.
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Source: The Company

Table (5-6): Summary Biography of Omar Abdulaziz Nasser AlShabibi

Name	Omar Abdulaziz Nasser AlShabibi
Age	46 years
Nationality	Saudi
Title	Director
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Accountancy, King Saud University, KSA, 1998G.
Current Positions	<ul style="list-style-type: none"> • Member of the Company's Audit Committee, from 2021G to date. • Member of the Company's Nomination and Remuneration Committee, from 2021G to date. • Director at the Company, from 2020G to date. • Director at stc Gulf Investment Holding 2, a one-person limited liability company operating in investment, from 2019G to date. • Director at Telecom Commercial Investment Company Limited, a limited liability company operating in investment, from 2019G to date. • General Director of Financial Reporting at stc, a listed joint stock company operating in the telecommunications industry, from 2018G to date. • Director at Safayer Company Ltd., a limited liability company operating in the ICT industry, from 2015G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • Director at Saudi Digital Payments Company (stc Pay), a closed joint stock company operating in the fintech industry, from 2018G to 2019G. • Head of Audit Committee at Saudi Digital Payments Company (stc Pay), a closed joint stock company operating in the fintech industry, from 2018G to 2019G. • General Manager of Accounting at stc, a listed joint stock company operating in the telecommunications industry, from 2013G to 2018G. • Director of Accounting Department at stc, a listed joint stock company operating in the telecommunications industry, from 2006G to 2013G. • Accountant at stc, a listed joint stock company operating in the telecommunications industry, from 1998G to 2003G.

Source: The Company

Table (5-7): Summary Biography of Mathad Faisal Mathad AlAjmi

Name	Mathad Faisal Mathad AlAjmi
Age	41 years
Nationality	Saudi
Title	Director
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> EMBA, Georgetown University, USA, 2016G. Master of Laws in International Intellectual Property Law, Illinois Institute of Technology, USA, 2004G. Bachelor's degree in Law, King Saud University, KSA, 2001G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Audit Committee, from 2021G to present. Director at the Company, from 2020G to present. VP and General Counsel of Legal Affairs at stc, a listed joint stock company operating in the telecommunications industry, from 2019G to date. Director at Pearl Initiative, a non-profit organization seeking to enable the private sector to improve accountability and institutional transparency in the GCC region, from 2018G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Director and Audit Committee Member at Saudi Iron & Steel Co.(Hadeed), a closed joint stock company operating in the manufacture of long and flat steel products, from 2017G to 2019G. General Manager and Senior Advisor at Saudi Basic Industries Corp (SABIC), a listed joint stock company operating in the petrochemical industries, from 2017G to 2019G. Member of International Trade Committee at Gulf Petrochemicals and Chemicals Association (GPCA), an organization representing the petrochemical and chemical industry in the Arabian Gulf, from 2016G to 2019G. International Trade Manager at Saudi Basic Industries Corp (SABIC), a listed joint stock company operating in the petrochemical industries, from 2013G to 2016G. Foreign Legal Advisor at King & Spalding (USA), an international law firm providing legal advice, from 2013G to 2015G. Consultant and Director of International Trade at Saudi Basic Industries Corp (SABIC), a listed joint stock company operating in the petrochemical industries, from 2009G to 2013G. Lawyer at Saudi Basic Industries Corp (SABIC), a listed joint stock company operating in the petrochemical industries, from 2007G to 2009G. Foreign Legal Advisor at Freshfields (Germany), an international law firm providing legal advice, from 2006G to 2007G. Lawyer at Saudi Basic Industries Corp (SABIC), a listed joint stock company operating in the petrochemical industries, from 2001G to 2007G.

Source: The Company

Table (5-8): Summary Biography of Mohammed Abdullah Hassan AlAbbadi

Name	Mohammed Abdullah Hassan AlAbbadi
Age	43 years
Nationality	Saudi
Title	Director
Status	Non-executive/non-independent
Academic Qualifications	<ul style="list-style-type: none"> MBA, IE University, Spain, 2012G. Bachelor's degree in Systems Engineering, KFUPM, KSA, 1999G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Executive Committee, from 2021G to present. Member of the Company's Nomination and Remuneration Committee, from 2021G to present. Director at the Company, from 2020G to present. VP of the Carriers and Operators Unit at stc, a listed joint stock company operating in the telecommunications industry, from 2020G to present. Director at Saudi Volunteer Organization (Takatuf), a non-profit association spreading the culture of volunteer work, from 2020G to present. Director at Public Telecommunication Company, a limited liability company operating in the telecommunications industry, from 2020G to present. Director at Cura, a limited liability company operating in the IT industry, from 2016G to present.

Significant Prior Professional Experience	<ul style="list-style-type: none"> • Director at Saudi Digital Payments Company (stc Pay), a limited liability company operating in the fintech industry, from 2018G to 2020G. • VP of Strategy Implementation and Corporate Affairs at stc, a listed joint stock company operating in the telecommunications industry, from 2018G to 2019G. • Chairman at Aqalat Company Limited (Aqalat), a Saudi limited liability company operating in the real estate industry, from 2017G to 2019G. • VP of Strategy Implementation and Corporate Performance at stc, a listed joint stock company operating in the telecommunications industry, from 2016G to 2017G. • CEO at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2014G to 2016G. • Deputy General Manager at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, 2014G. • Sales Manager (Public Sector) at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2012G to 2014G. • Regional Director of the Education Sector at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2009G to 2012G. • Regional Director of the Education and Defense Sector at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2006G to 2009G. • Regional Manager for the Local Government Sector at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2005G to 2006G. • Channels Account Manager at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2001G to 2005G. • Marketing Manager at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2000G to 2001G. • Trainee at Unilever KSA, a Saudi company operating in consumer products, 1999G.
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Source: The Company

Table (5-9): Summary Biography of Mohammed Abdullah Mohammed Al-Asiri

Name	Mohammed Abdullah Mohammed Al-Asiri
Age	55 years
Nationality	Saudi
Title	Director
Status	Non-executive/independent
Academic Qualifications	<ul style="list-style-type: none"> • Master's degree in Computer Engineering, Syracuse University, USA, 1991G. • Bachelor's degree in Computer Engineering, King Saud University, KSA, 1987G.
Current Positions	<ul style="list-style-type: none"> • Member of the Company's Executive Committee, from 2021G to present. • Director at the Company, from 2020G to present. • Strategies and Digital Transformation Advisor to HE the Deputy Minister of Municipal and Rural Affairs and Housing, a government agency operating in municipal and rural affairs and housing, from 2020G to present.

Significant Prior Professional Experience	<ul style="list-style-type: none"> • Director General of Research and Consulting at Traveler Security Center, a government agency operating in travel security, 2020G. • Policy, Technology and Strategy Advisor at the Ministry of Education, a government agency operating in education, from 2018G to 2020G. • General Director of Strategy Management Office at the Ministry of Education, a government agency operating in education, from 2017G to 2018G. • Director of Business Development at the National Information Center, a government agency operating in the IT industry, 2016G. • Policy, Technology and Strategy Advisor at the National Information Center, a government agency operating in the IT industry, from 2014G to 2016G. • Director of Identity Program at the National Information Center, a government agency operating in the IT industry, from 2008G to 2014G. • Solutions Engineer (National Identity Project) at the National Information Center, a government agency operating in the IT industry, from 2002G to 2008G. • Deputy Director for Research, Development and Technical Studies at the National Information Center, a government agency operating in the IT industry, from 2001G to 2008G. • Technical Director (Machine Readable Passport Project) at the National Information Center, a government agency operating in the IT industry, from 1998G to 2001G. • Design Engineer at the National Information Center, a government agency operating in the IT industry, from 1987G to 1998G.
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Source: The Company

Table (5-10): Summary Biography of Abdullatif Ali Abdullatif Al-Saif

Name	Abdullatif Ali Abdullatif Al-Saif
Age	42 years
Nationality	Saudi
Title	Director
Status	Non-executive/independent
Academic Qualifications	<ul style="list-style-type: none"> • MBA (Majoring in Finance), Boston University, USA, 2006G. • Master's degree in Economics, Boston University, USA, 2006G. • BBA, Boston University, USA, 2001G.
Current Positions	<ul style="list-style-type: none"> • Head of the Company's Audit Committee, from 2021G to present. • Director at the Company, from 2020G to present. • Managing Director and CEO at Sabeen Investment Company, a closed joint stock company operating in investment, from 2021G to present. • Director at Arabian Cement Company (ACC), a listed joint stock company operating in cement production, from 2018G to present. • Director at Raidah Investment Company, a closed joint stock company operating in investment, from 2018G to present. • Director at National Petrochemical Company (Petrochem), a listed joint stock company operating in the petrochemical industry, from 2019G to present. • Director at Wisayah Global Investment Company, a limited liability company operating in investment, from 2019G to present. • Director at Al Rajhi Bank, a listed joint stock company operating in banking services, from 2017G to present.

Significant Prior Professional Experience	<ul style="list-style-type: none"> • CEO at Raidah Investment Company, a closed joint stock company operating in investment, from 2018G to 2021G. • Investment Advisor at Public Pension Agency, a government agency operating in pension payment, from 2017G to 2018G. • Vice President and Chief Investment Officer at King Abdullah Humanitarian Foundation, a charitable institution operating in humanitarian and relief projects and initiatives, from 2014G to 2017G. • Director of Portfolio Management at Mohammed I. Alsubeaei & Sons Investment Company (MASIC), a closed joint stock company operating in investment, from 2012G to 2014G. • Head of Portfolio Management (Investment Management Division) at Saudi Arabian Oil Company (Aramco), a listed joint stock company operating in the oil and gas industry, from 2011G to 2012G. • Portfolio Manager at KAUST Investment Management Company, an American company operating in investment, from 2009G to 2011G. • Director at HSBC Saudi Arabia, a closed joint stock company operating in the securities business, from 2016G to 2018G. • Financial Analyst (Investment Management Division) at Saudi Arabian Oil Company (Aramco), a listed joint stock company operating in the oil and gas industry, from 2006G to 2009G. • Financial Analyst (Collection and Credit Division) at Saudi Arabian Oil Company (Aramco), a listed joint stock company operating in the oil and gas industry, from 2001G to 2004G.
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Source: The Company

Table (5-11): Summary Biography of Fahad Suleiman Mohammed AlAmoud

Name	Fahad Suleiman Mohammed AlAmoud
Age	46 years
Nationality	Saudi
Title	Director
Status	Non-executive/independent
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Information Systems, King Saud University, KSA, 1999G.
Current Positions	<ul style="list-style-type: none"> • Head of the Company's Nomination and Remuneration Committee, 2021G to present. • Director at the Company, from 2020G to present. • CEO at Saudi Company for Visa and Travel Solutions (TASHIR), a limited liability company operating in travel solutions, from 2020G to present.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • CEO at Sehati for Information Technology Services, a limited liability company operating in the IT industry, from 2018G to 2020G. • Director of Operations and Implementation at Saudi Technology and Security Comprehensive Control Company (Tahakom), a limited liability company operating in the IT industry, from 2017G to 2018G. • ICT Manager at the Ministry of Transport, a government agency that oversees the regulation of the transport sector, from 2016G to 2017G. • General Deputy ICT Manager at the Ministry of Foreign Affairs, a government agency that oversees international relations, from 2015G to 2016G. • Assistant ICT Manager and Director of E-Services Department at the Ministry of Foreign Affairs, a government agency that oversees international relations, from 2011G to 2015G. • Director of Quality Management Department at the Ministry of Foreign Affairs, a government agency that oversees international relations, from 2005G to 2011G. • E-Government Project Manager at the Ministry of Foreign Affairs, a government agency that oversees international relations, from 2004G to 2005G. • Development Team Leader at the Ministry of Foreign Affairs, a government agency that oversees international relations, from 2002G to 2004G. • Systems Analyst and Programmer at the Ministry of Foreign Affairs, a government agency operating in international relations, from 1999G to 2002G.

Source: The Company

Table (5-12): Summary Biography of Firas Abdullah Suleiman Al-Dossary

Name	Firas Abdullah Suleiman Al-Dossary
Age	47 years
Nationality	Saudi
Title	Board Secretary
Academic Qualifications	<ul style="list-style-type: none"> Bachelor's degree in Arts (Majoring in English Language and Literature), Arab Open University, KSA, 2016G.
Current Positions	<ul style="list-style-type: none"> Part-Time Board Secretary at Advanced Technology and Cybersecurity Company, a one-person limited liability company operating in the cybersecurity industry, from 2020G to present. Part-Time Board Secretary at stc Specialized, a limited liability company operating in the telecommunications industry, from 2019G to present. Secretary of the Company's Board of Directors, from 2013G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Part-Time Board Secretary at Saudi Digital Payments Company (stc Pay), a closed joint stock company operating in electronic financial transactions, from 2017G to 2019G. Service Assurance Specialist at Arabian Internet and Communications Services Co. (Awal), a limited liability company operating in the IT industry, from 2012G to 2013G. Customer Needs Supervisor at Arabian Internet and Communications Services Co. (Awalnet), a limited liability company operating in the IT industry, from 2012G to 2013G. Fleet Sales Officer at Abdul Latif Jameel Co., a family owned company operating in the automotive, financing and installment sectors, 2008G. Founder at Haql Alfann, a sole proprietorship operating in trade, from 2002G to 2007G.

Source: The Company

5-4 Board Committees

A number of committees stem from the Company's Board of Directors and General Assembly, which are formed based on the Company's need, circumstances and conditions, in order to enable the Company to perform its tasks effectively and fulfill the relevant legal requirements. These committees include the Audit Committee and the Nomination and Remuneration Committee.

Following is a summary of the structure, responsibilities and members of each Committee:

5-4-1 Audit Committee

A. Formation of the Audit Committee

The Audit Committee consists of four (4) members appointed pursuant to an Ordinary General Assembly resolution dated 13/06/1442H (corresponding to 26/01/2021G). The following table sets out the members of the Audit Committee:

Table (5-13): Members of the Audit Committee

#	Name	Title	Status
1.	Abdullatif Ali Abdullatif Al-Saif	Head of the Audit Committee	Non-executive / Independent / from the Board
2.	Mathad Faisal Mathad AlAjmi	Audit Committee Member	Non-executive / Non-independent / from the Board
3.	Omar Abdulaziz Nasser AlShabibi	Audit Committee Member	Non-executive / Non-independent / from the Board
4.	Abdullah Sayel Mater Alanzi	Audit Committee Member	Non-executive / Non-independent / from outside the Board

Source: The Company

B. Responsibilities of the Audit Committee

The Audit Committee exercises all functions entrusted thereto and maintains direct communication channels with the Board of Directors. The Audit Committee is responsible for monitoring the Company's business, verifying the effectiveness and adequacy of the Company's internal control systems, and expressing relevant opinions and recommendations. The competencies of the Audit Committee include the following in particular:

- **Financial Reports:**
 - Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
 - Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
 - Analyzing any important or non-familiar issues contained in the financial reports.
 - Accurately investigating any issues raised by the Company's Chief Financial Officer or any person assuming the duties thereof or the Company's compliance officer or external auditor.
 - Examining accounting estimates in respect of significant matters contained in the financial reports.
 - Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- **Internal Control System:**
 - Monitoring the Company's business by supervising the control bodies and directly overseeing the internal audit unit.
 - Ensuring that the Company's Management effectively and efficiently implements the Company's internal control system, in addition to preparing a written report that includes its recommendations and opinion on the adequacy of this system and the duties it has performed within the scope of its competence. The Board shall deposit sufficient copies of this report at the Company's head office at least 21 days prior to the date of the General Assembly meeting, to be provided to Shareholders who wish to have a copy, and the report shall be read out at the meeting.
 - Studying the draft policies and powers referred thereto and providing an opinion thereon in light of its oversight role, prior to approval by the Board.
 - Reviewing the regulations of the Board and Board committees and providing opinions on matters related to regulatory aspects, prior to approval by the Board.
 - Reviewing Executive Management reports related to the internal control system and components thereof and providing the Board with opinions thereon.
 - Studying the matters referred thereto by the Board for its recommendation in light of the Committee's regulatory role, supervising the development of a clear governance strategy commensurate with the nature and size of the Company's activities, verifying its implementation, and reviewing and updating it based on the internal and external variables of the Company.
- **Internal Audit:**
 - Examining and reviewing the Company's internal and financial control systems and risk management system.
 - Analyzing internal audit reports and monitoring the implementation of corrective measures for the observations made in such reports.
 - Monitoring and overseeing the performance and activities of the Company's Chief Audit Executive and Internal Audit Department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no Chief Audit Executive, the Committee shall provide a recommendation to the Board on whether there is a need to appoint one.
 - Providing recommendations to the Board on the appointment of a Chief Audit Executive, and suggesting the remuneration thereof.
- **Investees:**
 - Ensuring the effectiveness of procedures on the formation and performance of the audit committees of subsidiaries, as permitted by the partners' agreements.

- Ensuring the efficiency of the internal audit department of investees by reviewing the annual assessment of internal audit quality of wholly owned or controlled companies, or as permitted by the partners' agreements, and reporting to the Board any matters it deems appropriate in this regard.
 - Verifying the mechanism for the nomination and appointment of the external auditor of wholly owned or controlled companies, or as permitted by the partners' agreements, and reporting to the Board any matters it deems appropriate in this regard.
 - Obtaining the necessary and appropriate confirmation from the audit committees of subsidiaries regarding the effectiveness and integrity of the internal control system, in accordance with the applicable laws and partners' agreements.
 - Approving the general framework and audit protocol between the internal audit department, the audit committees and the internal audit department of wholly owned or controlled investees, or as permitted by the partners' agreements.
 - Examining the audit projects proposed by the internal audit department to be performed on subsidiaries and coordinating with the audit committees of wholly owned or controlled investees, or as permitted by the partners' agreements.
- **External Auditor:**
 - Providing recommendations to the Board on the nomination and dismissal of the external auditor, the determination of its remuneration and assessment of its performance, after verifying its independence and reviewing the scope of its work and the terms of its contracts.
 - Verifying the independence, objectivity, and fairness of the external auditor and the effectiveness of the audit activities, taking into account the relevant rules and standards.
 - Reviewing the plan and activities of the Company's external auditor and ensuring that it does not provide any technical or administrative activities that are beyond its scope of work, and providing its opinion thereon.
 - Ensuring that queries of the Company's external auditor are responded to.
 - Reviewing the external auditor's reports and its comments on the financial statements, and monitoring the procedures taken in connection therewith.
- **Ensuring Compliance:**
 - Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
 - Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
 - Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith.
 - Reporting to the Board any issues it finds require action and providing recommendations as to the steps that should be taken.
- **Risk Management:**
 - Supervising the development of a clear risk management strategy consistent with the nature and volume of the Company's activities prior to its approval by the Board, monitoring the implementation thereof and reviewing and updating it based on the Company's internal and external variables.
 - Reviewing the Company's risk tolerance level and ensuring that the Company does not go beyond such level.
 - Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining, monitoring, and following-up on the risks to which the Company is exposed in order to determine areas of inadequacy therein.
 - Regularly assessing the Company's ability to take risks and be exposed to such risks by reviewing specialized tests (such as stress tests) carried out by the Executive Management.
 - Verifying the independence of risk management employees from activities that may expose the Company to risk.
 - Ensuring the feasibility of the Company's continuation and the successful continuity of its activities and determining the risks that threaten its existence during the coming twelve (12) months.
 - Preparing reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board.
 - Providing recommendations to the Board on matters related to risk management.
 - Ensuring that risk management employees understand the risks threatening the Company and working to raise awareness of the culture of risk.

- **Combating Fraud and Corruption:**
 - Overseeing the effectiveness of the Executive Management (legal affairs) and the internal and external auditors in performing their responsibilities with regard to combating fraud and corruption.
 - Inquiring with the internal and external auditors as to their assessment of the risks of material errors related to fraud and corruption, including the nature, extent and frequency of such assessments.
 - Inquiring with the Executive Management (legal affairs) and the internal and external auditors as to whether they are aware of any actual, suspected or alleged fraud or corruption affecting the Company, and how the Company responded thereto, including material changes to the Company's control environment.
 - Obtaining reports from the internal and external auditors on any fraud or corruption, whether or not material, including the Management members or employees who have a major role in the Company's internal control system, and making recommendations to the Board as it deems fit.
 - Ensuring that a mechanism is in place for both reporting on and independently investigating fraud and corruption, and assessing and monitoring the effectiveness of these mechanisms.

- **Arrangements for Submitting Observations:**
 - The committee shall develop arrangements that enable the Company's employees to confidentially provide their observations in respect of any inaccuracies in the financial statements or other reports. The audit committee shall ensure that such arrangements have been applied through an adequate independent investigation of the error or inaccuracy and shall adopt appropriate follow-up procedures.

C. Summary Biographies of Audit Committee Members

Following are summary biographies of the members of the Audit Committee:

Table (5-14): Summary Biography of Abdullatif Ali Abdullatif Al-Saif

Name	Abdullatif Ali Abdullatif Al-Saif
Title	Head of the Audit Committee
Status	Non-executive/independent/from the Board
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-15): Summary Biography of Mathad Faisal Mathad AlAjmi

Name	Mathad Faisal Mathad AlAjmi
Title	Audit Committee Member
Status	Non-executive/non-independent/from the Board
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-16): Summary Biography of Omar Abdulaziz Nasser AlShabibi

Name	Omar Abdulaziz Nasser AlShabibi
Title	Audit Committee Member
Status	Non-executive/non-independent/from the Board
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-17): Summary Biography of Abdullah Sayel Mater Alanzi

Name	Abdullah Sayel Mater Alanzi
Age	47 years
Nationality	Saudi
Title	Audit Committee Member
Status	Non-executive/non-independent/from outside the Board

Academic Qualifications	<ul style="list-style-type: none"> EMBA, KFUPM, KSA, 2012G. Bachelor's degree in Information Systems, King Saud University, KSA, 1997G. Member, Institute of Internal Auditors, KSA, 2005G. Member, SOCPA, KSA, 2005G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Audit Committee, from 2021G to present. Audit Committee Member, National Agricultural Development Company (Nadec), a listed joint stock company operating in food and agriculture, from 2018G to present. Audit Committee Member, Seera Holding Group, a listed joint stock company operating in the travel industry, from 2018G to present. Audit Committee Member, Saudi Investment Bank, a listed joint stock company operating in financial and banking services, from 2016G to present. Audit Committee Member, NCB Capital, a listed joint stock company operating in financial services, from 2016G to present. Chief Audit Executive, stc, a listed joint stock company operating in the telecommunication industry, from 2015G to present. Director, Saudi Accounting Association, a professional association operating in accounting, from 2014G to present.
Significant Prior Professional Experience	<ul style="list-style-type: none"> General Manager of Networks and Information Systems Review, stc, a listed joint stock company operating in the telecommunications industry, from 2012G to 2015G. General Manager of Investment and Operations Review, stc, a listed joint stock company operating in the telecommunications industry, from 2004G to 2012G. Senior Manager, Samba, a listed joint stock company operating in banking and financial services, from 1997G to 2004G.

Source: The Company

5-4-2 Nomination and Remuneration Committee

A. Formation of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four (4) members appointed pursuant to a Board resolution dated 11/06/1442H (corresponding to 24/01/2021G). The following table sets out the members of Nomination and Remuneration Committee:

Table (5-18): Members of the Nomination and Remuneration Committee

#	Name	Title	Status
1.	Fahad Suleiman Mohammed AlAmoud	Head of the Nomination and Remuneration Committee	Non-executive/Independent
2.	Mohammed Abdullah Hassan AlAbbadi	Member of the Nomination and Remuneration Committee	Non-executive/Non-independent
3.	Omar Abdulaziz Nasser AlShabibi	Member of the Nomination and Remuneration Committee	Non-executive/Non-independent
4.	Fahd Ya'an Allah Abdullah Al-Ghamdi	Member of the Nomination and Remuneration Committee	Non-executive/Non-independent

Source: The Company

B. Responsibilities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee exercises all functions entrusted thereto, and reports to and maintains direct communication channels with the Board of Directors. It may not amend any resolution issued by the Board. Pursuant to the relevant laws and regulations, the competences of the Nomination and Remuneration Committee include the following:

- Preparing a clear policy on the remuneration of Directors and the members of Board committees and Executive Management and presenting such policy to the Board preliminary to its approval by the General Assembly, provided that such policy adopts standards linked to performance, and disclosing and ensuring the implementation of such policy.
- Clarifying the relation between paid remuneration and the adopted remuneration policy, and highlighting any material deviation from that policy.
- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.

- Providing recommendations to the Board on the remuneration of the Directors, Board committee members and Senior Executives, in accordance with the approved policy.
- Suggesting clear policies and standards for membership on the Board and Executive Management.
- Providing recommendations to the Board on the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Preparing a description of the capabilities and qualifications required for Board membership and Executive Management positions.
- Determining the amount of time that a Director must allocate to Board activities.
- Annually reviewing the skills and expertise required of the Directors and the Executive Management.
- Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that can be made to such structure.
- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Director is also a member of the board of directors of another company.
- Providing job descriptions for Executive, Non-Executive and Independent Directors and Senior Executive Management.
- Setting the procedures to be followed if the position of a Director or Senior Executive becomes vacant.
- Determining the strengths and weaknesses of the Board and recommending solutions to remedy them in line with the Company's interests.
- Supervising the development of a clear governance strategy that is consistent with the nature and volume of the Company's activities, monitoring the implementation thereof, and reviewing and updating it based on the Company's internal and external variables.
- Reviewing documents related to corporate governance and ensuring that there are corporate governance tools and methods for the mechanisms of communication between the Board of Directors and its committees on the one hand and the Executive Management on the other hand.
- Reviewing and developing codes of professional conduct representing the Company's values and other internal policies and procedures to meet the Company's needs in line with best practices, and submitting them to the Board for approval.
- Ensuring the effectiveness and quality of practices and standards governing human resources activity as well as the ability of leadership and talent development programs to emulate practices and standards befitting the Company's position.
- Assessing the effectiveness and efficiency of human resources tools and talent development systems and ensuring the effective implementation of successful HR practices that meet the needs of the core and support sectors, according to priority.
- Evaluating human resources programs, including talent recruitment and retention programs, performance management programs, succession plans, comprehensive incentives and rewards programs, and employment source diversification programs that enrich the cumulative experience, in order to enable the Company to promote the overall culture of corporate performance.
- Ensuring the quality of the necessary and appropriate tools to measure the effectiveness of human resources.
- Ensuring that the Company's values are adopted and complied with by the Company's employees in their practices and functional behaviors and applied through interacting and communicating among themselves to make decisions and complete achievements.
- Ensuring the institutionalization of appropriate working mechanisms to measure the Company's values and the quality of these mechanisms in assessing the extent of employee commitment to the Company's values on the ground.
- Evaluating the effectiveness and quality of human capital programs that target the Company's executives, including succession programs for those holding first and second tier positions and candidates for such positions.
- Reviewing the data related to the benefits and compensation paid for similar senior executive positions in the market and evaluating the Company's competitive position in this regard.

C. Summary Biographies of Nomination and Remuneration Committee Members

Following are summary biographies of the members of the Nomination and Remuneration Committee:

Table (5-19): Summary Biography of Fahad Suleiman Mohammed AlAmoud

Name	Fahad Suleiman Mohammed AlAmoud
Title	Head of the Nomination and Remuneration Committee
Biography	Please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus.

Source: The Company

Table (5-20): Summary Biography of Mohammed Abdullah Hassan AlAbbadi

Name	Mohammed Abdullah Hassan AlAbbadi
Title	Member of the Nomination and Remuneration Committee
Biography	Please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus.

Source: The Company

Table (5-21): Summary Biography of Omar Abdulaziz Nasser AlShabibi

Name	Omar Abdulaziz Nasser AlShabibi
Title	Member of the Nomination and Remuneration Committee
Biography	Please refer to Section 5.3.6 "Summary Biographies of the Directors and the Secretary" of this Prospectus.

Source: The Company

Table (5-22): Summary Biography of Fahd Ya'an Allah Abdullah Al-Ghamdi

Name	Fahd Ya'an Allah Abdullah Al-Ghamdi
Age	44 years
Nationality	Saudi
Title	Member of the Nomination and Remuneration Committee
Academic Qualifications	<ul style="list-style-type: none"> Bachelor's degree in Management (Majoring in Marketing), KFUPM, KSA, 2001G.
Current Positions	<ul style="list-style-type: none"> Member of the Company's Nomination and Remuneration Committee, from 2021G to date. Nomination and Remuneration Committee Member at Aqalat Company Limited (Aqalat), a Saudi limited liability company operating in the real estate industry, from 2019G to date. General Manager of HR Business Partners Department in the Business Unit at stc, a listed joint stock company operating in the telecommunications industry, from 2016G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Executive Committee Member at stc Specialized, a limited liability company operating in the telecommunications industry, from 2020G to 2021G. Acting General Director of the Center of Excellence in the Business Unit at stc, a listed joint stock company operating in the telecommunications industry, 2019G. General Director of HR Planning and Organizational Development Department at stc, a listed joint stock company operating in the telecommunications industry, from 2016G to 2019G. Acting General Director of HR Planning and Organizational Development Department at stc, a listed joint stock company operating in the telecommunications industry, from 2015G to 2016G. Director of Manpower Planning and Human Capital Department at stc, a listed joint stock company operating in the telecommunications industry, from 2012G to 2015G. Director of Customer Relationships and Shared Services for Human Resources at stc, a listed joint stock company operating in the telecommunications industry, from 2008G to 2011G. Senior Specialist in Human Resources, Remuneration and Performance Management at stc, a listed joint stock company operating in the telecommunications industry, from 2005G to 2008G. Accounting Manager at Samba, a listed joint stock company operating in banking and financial services, from 2002G to 2005G. Principal Accountant at Samba, a listed joint stock company operating in banking and financial services, from 2001G to 2002G.

Source: The Company

5-4-3 Executive Committee

A. Formation of the Executive Committee

The Executive Committee consists of five (5) members appointed pursuant to a Board resolution dated 11/06/1442H (corresponding to 24/01/2021G). The following table sets out the Executive Committee members:

Table (5-23): Members of the Executive Committee

#	Name	Title	Status
1.	Riyadh Saeed Sadeq Muawad	Head of the Executive Committee	Non-executive/Non-independent
2.	Haithem Mohammed Mujil AlFaraj	Member of the Executive Committee	Non-executive/Non-independent
3.	Mohammed Abdullah Mohammed Al-Asiri	Member of the Executive Committee	Non-executive/Independent
4.	Emad Oudah Abdullah AlOudah	Member of the Executive Committee	Non-executive/Non-independent
5.	Mohammed Abdullah Hassan AlAbbadi	Member of the Executive Committee	Non-executive/Non-independent

Source: The Company

B. Responsibilities of the Executive Committee

The Executive Committee exercises all functions entrusted thereto and reports to and maintains direct communication channels with the Board of Directors. It may not amend any resolution issued by the Board. Pursuant to the relevant laws and regulations, the competences of the Executive Committee include the following:

- Engaging in and supervising the development of the Company's strategic plan and evaluating the proposals submitted by the Executive Management on the Company's vision, mission, strategic themes, goals and strategic and financial initiatives, and submitting them to the Board for approval.
- Ensuring the implementation of the Company's general strategy and its effectiveness in achieving the desired goals.
- Overseeing the preparation of the Company's annual budget, reviewing proposals submitted by the Executive Management, and submitting recommendations to the Board on the approval of the annual budget.
- Reviewing the financial and strategic performance reports related to monitoring the implementation of strategic plans and initiatives, and submitting its recommendations to the Board.
- Examining strategic and important issues and projects with a significant financial impact, and submitting them to the Board for approval.
- Reviewing the corporate social responsibility policy, media plan and sports sponsorships, and submitting its recommendations to the Board.
- Reviewing programs for social work initiatives and submitting its recommendations to the Board.

C. Summary Biographies of Executive Committee Members

Following are summary biographies of the members of the Executive Committee:

Table (5-24): Summary Biography of Riyadh Saeed Sadeq Muawad

Name	Riyadh Saeed Sadeq Muawad
Title	Head of the Executive Committee
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-25): Summary Biography of Haithem Mohammed Mujil AlFaraj

Name	Haithem Mohammed Mujil AlFaraj
Title	Member of the Executive Committee
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-26): Summary Biography of Mohammed Abdullah Mohammed Al-Asiri

Name	Mohammed Abdullah Mohammed Al-Asiri
Title	Member of the Executive Committee
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-27): Summary Biography of Emad Oudah AlOudah

Name	Emad Oudah Abdullah AlOudah
Title	Member of the Executive Committee
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

Table (5-28): Summary Biography of Mohammed Abdullah Hassan AlAbbadi

Name	Mohammed Abdullah Hassan AlAbbadi
Title	Member of the Executive Committee
Biography	Please refer to Section 5.3.6 " Summary Biographies of the Directors and the Secretary " of this Prospectus.

Source: The Company

5-5 Executive Management

The Company's Executive Management consists of a team that has the necessary experience and skills to manage the Company, with the Board's oversight. The CEO is responsible for conducting the day-to-day operations of the Company according to the Board's directions and policies, in order to ensure that the Company achieves the objectives set by the Board.

5-5-1 Executive Management Divisions

A. Finance

The Finance Section consists of the following departments and divisions:

- Business Finance Department.
- Financial Control Department.
- Financial Accounting Department.
- Investor Relations Department.

B. Corporate Strategy & Performance

The Corporate Strategy & Performance Section consists of the following departments and divisions:

- Strategy Department.
- Corporate Performance Department.
- Global Project Management Office.
- Governance, Risk and Compliance Department.
- Public Relations and Marketing Department.

C. Operations and Managed Services

The Operations and Managed Services Section consists of the following departments and divisions:

- Integrated Operations Center.
- Field Services Department.
- Cloud and Digital Operations Department.
- Operations Development Department.
- Digital Delivery and Managed Services Department.
- Operations Control Department.

D. Digital Solutions

The Digital Solutions Section consists of the following departments and divisions:

- Satellite Business Department.
- Network Infrastructure and Managed Services Department.
- Digital Product Department.
- Digital Platforms Department.
- Software Design and Development Department.
- Digital Transformation Office.

E. Business Solutions

The Business Solutions Section consists of the following departments and divisions:

- Business Operations and Support Department.
- Government Sales Department.
- stc Sales Department.
- Enterprise Sales Department.

F. Solutions Delivery

The Solutions Delivery Section consists of the following departments and divisions:

- Project delivery Sales Department (stc Professional Services and Project Delivery).
- Professional Services Department (Engagement, Planning, and Systems Integration).

G. Business Excellence

The Business Excellence Section consists of the following departments and divisions:

- Internal Information Technology Department.
- Enterprise Architecture Department.
- Human Capital Department.
- Supply Chain and Support Services Department (including Contracts and Legal Affairs).

H. Business Outsourcing

The Business Outsourcing Section consists of the following departments and divisions:

- Business Outsourcing Control and Support Department.
- Business Outsourcing department.

5-5-2 Members of Executive Management

The following table sets out the details of the members of the Company's Executive Management:

Table (5-29): Executive Management of the Company

#	Name	Title	Nationality	Age	Date of Appointment	Direct and indirect shares held pre-Of-fering	Direct and indirect shares held post-Of-fering
1.	Omer Abdullah Omer Alno-many*	CEO	Saudi	49 years	11/01/1439H (corresponding to 01/10/2017G)	0.000425%	0.00034%
2.	Abdulrahman Hamad Mohammed AlRubaia	CFO	Saudi	40 years	07/10/1424H (corresponding to 01/12/2003G).	-	-
3.	Muataz Abdul-lah Abdulaziz AlDharrab	VP of Corporate Strategy & Performance	Saudi	36 years	16/06/1436H (corresponding to 05/04/2015G)	-	-
4.	Ahmed Najji Salem Bajnaid	VP of Operations and Managed Services	Saudi	40 years	04/04/1441H (corresponding to 01/12/2019G)	-	-

#	Name	Title	Nationality	Age	Date of Appointment	Direct and indirect shares held pre-Of-fering	Direct and indirect shares held post-Of-fering
5.	Fahad Abdulaziz Muhammad AlHajeri*	VP of Digital Solutions	Saudi	43 years	16/04/1439H (corresponding to 03/01/2018G)	0.000052%	0.000041%
6.	Jehad Salem Othman AlT-wairki	VP of Business Solutions	Saudi	45 years	15/03/1439H (corresponding to 03/12/2017G)	-	-
7.	Saleh Abdullah Ahmed AlZah-rani	VP of Solutions Delivery	Saudi	48 years	04/06/1439H (corresponding to 21/01/2018G)	-	-
8.	Saleh Tariq Saleh AlGroony	VP of Business Excellence	Saudi	33 years	30/06/1438H (corresponding to 19/03/2017G)	-	-
9.	Thamir Mohammed Abdullah AlHammad	VP of Business Outsourcing	Saudi	42 years	09/02/1436H (corresponding to 01/12/2014G)	-	-
10.	Alma Saeed Mohammed AlMoter*	Chief Audit Executive	Saudi	47 years	07/06/1441H (corresponding to 01/02/2020G)	0.000052%	0.000041%

* Note: The indirect ownership of members of the Company's Executive Management resulted from the following: Omer Abdullah Omer Alnomany owns 8,501 shares, representing 0.000425% of the shares of Saudi Telecom Company, the substantial shareholder; Fahad Abdulaziz Muhammad AlHajeri owns 1,038 shares, representing 0.000052% of the shares of Saudi Telecom Company, the substantial shareholder; and Alma Saeed Mohammed AlMoter owns 1,038 shares, representing 0.000052% of the shares of Saudi Telecom Company, the substantial shareholder.

Source: The Company

5-5-3 Employment Contracts with the CEO and CFO

The following table sets out a summary of the employment and service contracts between the Company and the CEO and CFO:

Table (5-30): Employment and Service Contracts with the CEO and CFO

Name	Title	Date of Contract	Term of Contract
Omer Abdullah Omer Alnomany	CEO	18/06/1441H (corresponding to 12/02/2020G) effective as of 06/07/1441H (corresponding to 01/03/2020G)	Three (3) years automatically renewable for the same period
Abdulrahman Hamad Mohammed AlRubaia	CFO	23/12/1424H (corresponding to 14/02/2004G) effective as of 07/10/1424H (corresponding to 01/12/2003G)	One (1) year automatically renewable for the same period

Source: The Company

Following is a summary of the main duties and responsibilities of the CEO and CFO:

A. CEO:

- reflect the long-term expectations of Shareholders and Directors in the Company's goals and strategies;
- lead the development and improvement of the Company's vision, mission and strategy to contribute to the overall success of the Company;
- ensure that the Company's operational and financial results are in line with the Company's goals and strategies;
- design the Company's framework and employ best practices, methodologies, techniques and principles in coordination with stc;
- ensure communication to clearly elucidate the Company's strategy at all levels;
- recommend the organization of adequate resources for the Company to effectively implement operations in order to achieve the desired strategy;
- approve the Company's annual budget, which ensures conformity to the Company's plans and requirements;
- adopt Company policies that ensure that all relevant requirements are met while complying with laws and regulations;
- establish a system for control and oversight of execution and performance;
- create an appropriate and safe work environment within the Company to support the realization of the Company's goals and strategies;
- supervise the implementation of the strategic plan on a daily and periodic basis;

- oversee the disbursement of the annual budget throughout the year and approve budget review decisions, when needed;
- identify new business opportunities in line with the Company's goals and strategies for further development and growth;
- represent the Company at the highest level through high-level contractual relationships related to the Company and media events;
- review and approve investment management and investor relations activities and prepare the necessary reports;
- provide decisions regarding corrective actions for significant financial activities;
- directly oversee the day-to-day operations of functions to ensure their efficiency and quality in line with the Company's goals and strategies;
- direct planning committees and design direct policies;
- lead executive meetings regarding critical decision-making processes;
- ensure that all policies, processes, standard operating procedures and instructions are developed at the company level in line with the Company's goals, strategies, values and culture;
- review and issue final approval for the policies, processes and procedures developed;
- ensure recruitment and selection of candidates for executive positions at the Company;
- ensure the implementation of the planning and succession process and competency review sessions for executive positions at the Company;
- create a culture based on guidance, continuous development and outstanding performance; and
- develop the Company's values and culture in line with the Company's goals and strategies;

B. CFO:

- contribute to the development of the Company's vision, mission and strategy and support the overall decision-making process;
- develop the strategic financial plan in line with the Company's strategy;
- define financial performance objectives and provide continuous monitoring in order to achieve strategic objectives;
- advise the CEO on relevant issues that strategically affect the Company;
- design the financial framework and employ best practices, methodologies, techniques and principles;
- ensure communication to clearly elucidate the Company's financial strategy at all levels;
- recommend organization of adequate financial resources to effectively implement operations in order to achieve the desired strategy;
- prepare the annual budget and ensure it conforms to the Company's plans and requirements;
- approve the financial policies that ensure that all relevant requirements are met while complying with laws and regulations;
- establish an a system for control and oversight of execution and financial performance;
- make critical decisions related to financing or refer them to the CEO, when needed;
- develop a short- and long-term financial strategy to articulate the Company's financing requirements and financial goals and aspirations;
- in cooperation with the business segments, discuss and develop the optimal budget for the Company;
- oversee the budget to ensure the targeted and effective use of budget resources and to avoid any budget deficit or overrun;
- review and approve budget amendment requests by conducting an appropriate assessment, analyzing the supporting factors and obtaining the necessary approvals;
- develop the customer account auditing process, set collection schedules in order to monitor performance and ensure follow-up on overdue payments;
- review supplier accounts and transactions in order to monitor performance and set payment schedules and agreed amounts;
- advise on cash transactions to ensure consolidated bank account balances, and report and investigate any violations, if required;
- develop contingency plans for the development of financial reserves;
- develop the financial audit and control process, lead the monthly and annual financial closure, prepare reports and follow up on financial issues;
- support financial analysis of the current investment environment in order to assess and analyze investment flows and advise on investors' decisions;

- manage relations with financial stakeholders and develop investment models to support structuring of transactions with relevant stakeholders and ensure business growth and continuity;
- create a culture based on guidance, continuous improvement and outstanding performance; and
- lead the financial workforce planning process, ensure that the team is qualified through recruitment, training and development, performance management, and maintain a high level of employee engagement and motivation.

5-5-4 Summary Biographies of the Members of Executive Management

The following are summary biographies of the members of the Executive Management:

Table (5-31): Summary Biography of Omer Abdullah Omer Alnomany

Name	Omer Abdullah Omer Alnomany
Age	49 years
Nationality	Saudi
Title	CEO
Academic Qualifications	<ul style="list-style-type: none"> • Senior Executive Leadership Program, Harvard University, USA, 2020G. • Financial Management Certificate for Non-Financial Executive Leadership, UK, 2017G. • PMP Certificate, 2003G • CISM Certificate, 2003G • CISSP Certificate, 2002G • Bachelor's degree in Computer Engineering, King Saud University, KSA, 1994G.
Current Positions	<ul style="list-style-type: none"> • CEO of the Company, from 2017G to date. • Director at Kuwait Telecom Company (stc), a Kuwaiti joint stock company operating in the telecommunications industry, from 2018G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • VP of Information Technology at stc, a listed joint stock company operating in the telecommunications industry, from 2010G to 2018G. • General Manager of Infrastructure and Information Technology Structuring at stc, a listed joint stock company operating in the telecommunications industry, from 2008G to 2010G. • General Manager of Information Security at stc, a listed joint stock company operating in the telecommunications industry, from 2006G to 2008G. • Director of Revenue Assurance Department at stc, a listed joint stock company operating in the telecommunications industry, from 2003G to 2005G. • Director of Information Security Department at stc, a listed joint stock company operating in the telecommunications industry, from 2002G to 2003G. • Head of Communications Department at Saudi Central Bank (formerly the Saudi Arabian Monetary Authority) (SAMA), a government agency that supervises the regulation of banking, finance and insurance sectors, from 1994G to 2000G.

Source: The Company

Table (5-32): Summary of Biography of Abdulrahman Hamad Mohammed AlRubaia

Name	Abdulrahman Hamad Mohammed AlRubaia
Age	40 years
Nationality	Saudi
Title	CFO
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Accountancy, King Saud University, KSA, 2003G.
Current Positions	<ul style="list-style-type: none"> • CFO of the Company, from 2018G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • Director of the Company's Financial Accounting Department, from 2013G to 2018G. • Director of the Company's Accounts Payable and Cash Management Department, from 2010G to 2013G. • Chief Accountant at the Company, from 2007G to 2009G.

Source: The Company

Table (5-33): Summary Biography of Muataz Abdullah Abdulaziz AlDharrab

Name	Muataz Abdullah Abdulaziz AlDharrab
Age	36 years
Nationality	Saudi
Title	VP of Corporate Strategy and Performance
Academic Qualifications	<ul style="list-style-type: none"> Master's degree in Change, INSEAD, France, 2019G. MBA, Prince Sultan University (PSU), KSA, 2014G. Bachelor's degree in Systems Engineering and Automation, KFUPM, KSA, 2007G.
Current Positions	<ul style="list-style-type: none"> VP of Corporate Strategy and Performance at the Company, from 2020G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> General Manager of Corporate Governance and Customer Success at the Company, from 2019G to 2020G. General Manager of Pre-Sales Services at the Company, from 2018G to 2019G. General Manager of Pre-Sales Services at the Company, 2018G. Director of the Company's Government Solutions Engineering Department, from 2015G to 2018G. Senior Systems Engineer at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2012G to 2015G.

Source: The Company

Table (5-34): Summary Biography of Ahmed Naji Salem Bajnaid

Name	Ahmed Naji Salem Bajnaid
Age	40 years
Nationality	Saudi
Title	VP of Operations and Managed Services
Academic Qualifications	<ul style="list-style-type: none"> Bachelor's degree in Computer Engineering, King Abdulaziz University, KSA, 2003G.
Current Positions	<ul style="list-style-type: none"> VP of Operations and Managed Services at the Company, from 2019G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Chief Operating Officer at the Company, 2019G. Director of Consumer Systems Operations at stc, a listed joint stock company operating in the telecommunications industry, from 2018G to 2019G. Director of Client Systems Operations at stc, a listed joint stock company operating in the telecommunications industry, from 2013G to 2018G. Director of Communication Center Systems Technology at stc, a listed joint stock company operating in the telecommunications industry, from 2011G to 2013G. Director of Client Services Systems at stc, a listed joint stock company operating in the telecommunications industry, from 2008G to 2011G. Head of Customer Relationship Management Team at stc, a listed joint stock company operating in the telecommunications industry, from 2004G to 2008G.

Source: The Company

Table (5-35): Summary Biography of Fahad Abdulaziz Muhammad AlHajeri

Name	Fahad Abdulaziz Muhammad AlHajeri
Age	43 years
Nationality	Saudi
Title	VP of Digital Solutions
Academic Qualifications	<ul style="list-style-type: none"> MBA, Alfaisal University, KSA, 2015G. Master's degree in Information Technology, University of New South Wales, UK, 2006G. Bachelor's degree in Computer Science, King Saud University, KSA, 2000G.
Current Positions	<ul style="list-style-type: none"> VP of Digital Solutions at the Company, from 2018G to date.

Significant Prior Professional Experience	<ul style="list-style-type: none"> • VP of Strategy and Planning at the Company, from 2018G to 2020G. • Advisor to the Minister of Communications and Information Technology, at the Ministry of Communications, and Head of the Digital Economy Office at the National Digital Transformation Unit, a government agency operating in monitoring of technical services, 2017G. • CEO at YVOLV, a partnership between Alibaba and Meraas Holding (Dubai) operating in cloud services, from 2016G to 2017G. • Director of the Business Cloud Services Department at the Company, from 2014G to 2016G. • Director of the Cloud Services Department at the Company (formerly Awalnet), from 2010G to 2014G. • Director of the Business Systems Department at the Company (formerly Awalnet), from 2008G to 2010G. • Director of the Corporate Support Department at the Company (formerly Awalnet), from 2007G to 2008G. • Infrastructure Manager at Mubasher, a Saudi company operating in the IT industry, 2006G.
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Source: The Company

Table (5-36): Summary Biography of Jehad Salem Othman AlTwaiki

Name	Jehad Salem Othman AlTwaiki
Age	45 years
Nationality	Saudi
Title	VP of Business Solutions
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Information Systems Management, King Saud University, KSA, 1999G
Current Positions	<ul style="list-style-type: none"> • VP of Business Solutions at the Company, from 2017G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • Unit Manager at IBM, a limited liability company operating in the IT industry, 2017G. • Region Manager at IBM, a limited liability company operating in the IT industry, from 2015G to 2017G. • Account Manager at IBM, a limited liability company operating in the IT industry, from 2012G to 2014. • Account Manager at Hewlett, a limited liability company operating in the IT industry, from 2010G to 2012G. • Business Advisor at Hewlett, a limited liability company operating in the IT industry, from 2007G to 2008G. • Director of Technical Services at Hewlett, a limited liability company operating in the IT industry, from 2008G to 2010G. • Business Advisor at Hewlett, a limited liability company operating in the IT industry, from 2007G to 2008G. • Account Manager at Hewlett, a limited liability company operating in the IT industry, from 2004G to 2007G.

Source: The Company

Table (5-37): Summary Biography of Saleh Abdullah Ahmed AlZahrani

Name	Saleh Abdullah Ahmed AlZahrani
Age	48 years
Nationality	Saudi
Title	VP of Solutions Delivery
Academic Qualifications	<ul style="list-style-type: none"> • Bachelor's degree in Computer Engineering, King Saud University, KSA, 1994G.
Current Positions	<ul style="list-style-type: none"> • VP of Solutions Delivery at the Company, from 2020G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> • VP of Business Excellence at the Company, from 2018G to 2020G. • General Manager of Application Development at stc, a listed company operating in the telecommunications industry, from 2016G to 2018G. • General Manager of Information Technology Operations and Data Center Services at stc, a listed joint stock company operating in the telecommunications industry, from 2010G to 2016G. • Regional Service Manager at SBM, a limited liability company operating in the IT industry, from 2009G to 2010G. • Director of Service Delivery at Cisco Saudi Arabia Ltd., a limited liability company operating in the IT industry, from 2007G to 2009G. • Director of Information Security Solutions at stc, a listed joint stock company operating in the telecommunications industry, from 2003G to 2007G. • Director of Information Security at stc, a listed joint stock company operating in the telecommunications industry, from 2001G to 2003G. • Director of Computer Networks at King Faisal Specialist Hospital, a governmental health institution, from 1998G to 2001G.

Source: The Company

Table (5-38): Summary Biography of Saleh Tariq Saleh AlGroony

Name	Saleh Tariq Saleh AlGroony
Age	33 years
Nationality	Saudi
Title	VP of Business Excellence
Academic Qualifications	<ul style="list-style-type: none"> Bachelor's degree in Computer Science, KFUPM, KSA, 2010G.
Current Positions	<ul style="list-style-type: none"> VP of Business Excellence at the Company, from 2021G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> Acting VP of Business Excellence at the Company from 2020G to 2021G HR General Manager at the Company, from 2019G to 2021G. Director of the Company's Talent Development Department, from 2018G to 2019G. Succession Manager at the Company, from 2017G to 2018G. Succession Manager at Saudi Electricity Company, a listed joint stock company operating in electric power, from 2013G to 2017G. Career Development Analyst at Saudi Electricity Company, a listed joint stock company operating in electric power, from 2011G to 2013G.

Source: The Company

Table (5-39): Summary Biography of Thamir Mohammed Abdullah AlHammad

Name	Thamir Mohammed Abdullah AlHammad
Age	42 years
Nationality	Saudi
Title	VP of Business Outsourcing
Academic Qualifications	<ul style="list-style-type: none"> MBA, Imperial College, UK, 2017G. Bachelor's degree in Electrical Engineering, King Saud University, KSA, 2001G.
Current Positions	<ul style="list-style-type: none"> VP of Business Outsourcing at the Company, from 2020G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> VP of Telecom Services at the Company, from 2017G to 2020G. VP of Engineering at the Company, from 2014G to 2017G. Senior Designer of Telecommunications Networks at Cisco Saudi Arabia Limited, a limited liability company operating in the IT industry, from 2007G to 2014G. Network Manager at Bayanat Al Oula, a limited liability company operating in the IT industry, 2006G. Chief Design Engineer at stc, a listed joint stock company operating in the telecommunications industry, from 2002G to 2006G. Test Engineer at AEC, a limited liability company operating in the IT industry, from 2001G to 2002G.

Source: The Company

Table (5-40): Summary Biography of Alma Saeed Mohammed AlMoter

Name	Alma Saeed Mohammed AlMoter
Age	47 years
Nationality	Saudi
Title	Chief Audit Executive
Academic Qualifications	<ul style="list-style-type: none"> Master's degree in Accounting, Griffith University, Australia, 2007G. Bachelor's degree in Accounting, King Abdulaziz University, KSA, 1996G.
Current Positions	<ul style="list-style-type: none"> Chief Audit Executive at the Company, from 2013G to date.
Significant Prior Professional Experience	<ul style="list-style-type: none"> General Manager of Business Unit Audit at stc, a listed joint stock company operating in the telecommunications industry, from 2018G to 2020G. General Manager of Operations and Investment Audit at stc, a listed joint stock company operating in the telecommunications industry, from 2017G to 2018G. Director of Investment and Special Operations Audit at stc, a listed joint stock company operating in the telecommunications industry, from 2015G to 2017G. Senior Manager of Transformation and Sustainability Operations at NWC, a closed joint stock company operating in service delivery, from 2013G to 2015G. Senior Manager of Quality and Compliance at NWC, a closed joint stock company operating in service delivery, from 2011G to 2013G.

Source: The Company

5-6 Cases of Bankruptcy and Insolvency Involving the Directors and Executive Management

As at the date of this Prospectus, there are no bankruptcy cases involving the Directors, Executive Management, or the Secretary. There has been no declaration, within the last five years of any insolvency in any company in which any of the Directors, Executive Management, or the Secretary was hired in an administrative or supervisory position.

5-7 Direct and Indirect Interests of the Board of Directors and Executive Management

Except as disclosed in Section 5.3 **"Board of Directors,"** Section 5.5.2 **"Members of Executive Management,"** and Section 12.6 **"Agreements with Related Parties"** of this Prospectus, none of the Directors, Executive Management, or the Secretary, or any relatives thereof, have a direct or indirect interest in the Company's shares and debt instruments or any interest in any other matter which would impair the Company's business.

Except as disclosed in Section 12.6 **"Agreements with Related Parties"** of this Prospectus, none of the Directors, Executive Management, or the Secretary have any interest in any applicable contract or arrangement in effect or to be concluded as of the date of this Prospectus in relation to the Company's business.

5-8 Remuneration of Directors and Executive Management

Pursuant to the Company's Bylaws, remuneration of the Board of Directors shall be subject to the limits stipulated by the provisions of the Companies Law, the regulations thereof and Paragraph 5 of Article 48 of the Company's Bylaws. The Board's report to the Ordinary General Assembly shall contain a comprehensive statement of all salaries, profit shares, attendance and expense allowances and other benefits received by the Directors during the financial year. Such report shall also include a statement of the earnings of the Directors in their capacities as employees or executives of the Company and their earnings for any technical, administrative or advisory work provided for the Company. The report shall also include a statement of the number of meetings of the Board and the number of meetings attended by each Director from the date of the last meeting of the Ordinary General Assembly. In accordance with Paragraph 5 of Article 48 of the Company's Bylaws, and subject to Article 22 of the Company's Bylaws and Article 76 of the Companies Law, 5% of the remaining profit shall be allocated as remuneration for the Board of Directors, and remuneration shall be proportionate to the number of sessions attended by each Director.

In accordance with the Company's Bylaws and the approved Corporate Governance Regulations, neither the Directors nor Senior Executives may vote on their remuneration and compensation. The remuneration of Senior Executives is determined under the employment contracts concluded with them according to the remuneration policy adopted by the General Assembly. Neither the Directors nor Senior Executives may borrow from the Company or vote on any contract or arrangement in which they have an interest.

The following table details the remuneration and benefits in-kind granted by the Company over the last three (3) financial years to the Directors and members of Executive Management, including the CEO and the CFO:

Table (5-41): Remuneration of Directors and Executive Management During the Financial Years Ended 2018G, 2019G and 2020G

SAR	FY 2018G	FY 2019G	FY 2020G
Directors	777,000	1,055,000	1,103,000
Committee members (who are not Directors)	153,201	78,000	82,000
Nine Executive Management members, including the CEO and CFO	26,542,047	32,830,747	34,911,209
Total	27,472,248	33,963,747	36,096,209

Source: The Company

5-9 Corporate Governance

The Company adopted its internal governance manual and the related regulations by virtue of a Board resolution dated 11/06/1442H (corresponding to 24/01/2021G) in accordance with Article 94 of the Corporate Governance Regulations. The Company also adopted the charter of the Audit Committee pursuant to the Ordinary General Assembly resolution dated 13/06/1442H (corresponding to 26/01/2021G), based on the Board proposal dated 11/06/1442H (corresponding to 24/01/2021G) in accordance with Article 54 of the Corporate Governance Regulations, as well as the charter of the Nomination and Remuneration Committee and the Nomination and Remuneration Policy pursuant to the Ordinary General Assembly resolution dated 13/06/1442H (corresponding to 26/01/2021G), based on the proposal of the Board dated 11/06/1442H (corresponding to 24/01/2021G) in accordance with Articles 60 and 64 of the Corporate Governance Regulations. Article 60 and 64 of the Corporate Governance Regulations. The Company's Internal Corporate Governance Manual and related regulations include provisions related to the following:

- rights of Shareholders;
- the Board of Directors, including Board formation, membership, meetings of the Board, its working procedures, competencies, powers, and remuneration;
- Board committees;
- Executive Management;
- Control, internal audit and the auditor;
- disclosure and transparency;
- internal policies; and
- document retention.

The Company complies with mandatory governance requirements applicable to public joint stock companies listed on the Exchange, with the exception of certain provisions that are only applicable to listed companies, since the Company's shares have not yet been listed on the Exchange, as follows:

- Paragraph (a) of Article 8 related to the announcement of information about the nominees for Board membership on the Exchange's website when calling for a meeting of the General Assembly.
- Paragraph (c) of Article 8 related to restricting voting in the General Assembly to Board nominees whose information has been announced in accordance with paragraph (a) of Article 8.
- Paragraph (d) of Article 13 related to the publication of the invitation to the General Assembly on the websites of the Exchange and the Company.
- Paragraph (c) of Article 14 related to making information on the items of the General Assembly available through the websites of the Exchange and the Company.
- Paragraph (e) of Article 15 related to disclosing the results of General Assembly meetings to the public, the CMA and the Exchange through the websites of the Exchange and the Company.
- Paragraph (d) of Article 17 related to notifying the CMA of Directors' names, membership capacity and any changes that may affect their membership.
- Paragraph (b) of Article 17 related to promptly notifying the CMA and the Exchange of the termination of a Director's membership, and specifying the reasons for such termination.
- Article 68 related to the Company publishing the nomination announcement on the websites of the Company and the Exchange to invite persons who wish to seek nomination for Board membership.
- Article 89, Article 90, Paragraph (b) of Article 91, Article 92 and Article 93 related to disclosure policies and procedures.

The Directors undertake to comply with these articles as soon as the CMA issues its approval for the listing of the Shares on the Exchange. In addition, the Directors confirm that the Company is currently in compliance with all other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has three (3) permanent committees, namely, the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee (for further details about these committees and their responsibilities, see Section 5.4 "**Board Committees**" of this Prospectus). The Board of Directors consists of nine (9) directors, all of whom are non-executive directors, with three (3) of them being independent directors, pursuant to the Corporate Governance Regulations. The Board of Directors will ensure that:

- all committees have clear terms of reference that outline the roles and responsibilities of each committee; and
- minutes of all meetings are prepared, reviewed and signed by the Board of Directors in accordance with the Company's Bylaws.

In accordance with Paragraph 1 of Article 95 of the Companies Laws and Paragraph (b) of Article 8 of the Corporate Governance Regulations, Shareholders adopted the cumulative voting mechanism for the election of Directors as set out in the Company's Bylaws (for further details, see Section 12.4 "**Summary of Company's Bylaws**"). This voting mechanism grants each shareholder voting rights pro rata to the number of shares they hold. Each shareholder may use all of their voting rights for one nominee or divide their voting rights between selected nominees without any duplication of these votes. This mechanism increases the chances for minority shareholders to be represented on the Board of Directors through the right to accumulate votes for one nominee.

5-10 Conflict of Interest

Neither the Company's Bylaws nor any of the internal regulations or policies grant any powers enabling a Director to vote on a contract or offer in which they have a vital direct or indirect interest. This is pursuant to Article 71 of the Companies Law, which stipulates that a Director may not have any direct or indirect interest in the Company's transactions and contracts except with the approval of the General Assembly.

Under said Article, Directors are required to inform the Board of any personal interest they have in transactions and contracts made for the Company's account. The Chairman shall disclose transactions and contracts to the General Assembly in which any of the Directors have a personal interest, and such disclosure shall be accompanied by a special report from the Auditor. Said disclosure shall be recorded in the minutes of the Board meeting. The relevant director may not participate in voting on the resolution to be adopted in this respect. Based on the above, the Directors declare the following:

- They will comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the Corporate Governance Regulations.
- They will not participate in voting during General Assembly meetings on any Related Party contracts in which they have an indirect interest.
- They will not compete with the Company's business, and all Related Party transactions in the future will be conducted on an arm's length basis in accordance with Article 72 of the Companies Law.

As at the date of this Prospectus, none of the Directors or Senior Executives is party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. However, the engagement of Directors in business competing with the Company is subject to the approval of the General Assembly under Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

Except as disclosed in Section 12.6 "**Agreements with Related Parties**", none of the Directors, Senior Executives, the Secretary, or any of their relatives or affiliates have any interest in any existing written or oral contracts, arrangements, or agreements under consideration or to be concluded with the Company until the date of this Prospectus.

The following table sets out the percentage of direct and indirect ownership of Directors that have direct or indirect shareholdings in the Company as at the date of this Prospectus:

Table (5-42): The Company's Board of Directors

No.	Name	Title	Direct Ownership (%)		Indirect Ownership (%)*	
			Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Riyadh Saeed Sadeq Muawad	Chairman	-	-	0.000145%	0.000114%
2	Haithem Mohammed Mujil AlFaraj	Vice Chairman	-	-	0.000173%	0.000137%
3	Emad Oudah Abdullah AlOudah	Director	-	-	0.000094%	0.000074%
4	Omar Abdulaziz Nasser AlShabibi	Director	-	-	0.000050%	0.000040%
5	Mathad Faisal Mathad AlAjmi	Director	-	-	0.000521%	0.000412%
6	Mohammed Abdullah Hassan AlAbbadi	Director	-	-	0.000086%	0.000068%

* The Directors' indirect ownership resulted from the following: Riyadh Saeed Sadeq Muawad owns 2,890 shares, representing 0.000145% of the shares of Saudi Telecom Company, the substantial shareholder; Haithem Mohammed Mujil AlFaraj owns 3,468 shares, representing 0.000173% of the shares of Saudi Telecom Company, the substantial shareholder; Emad Oudah Abdullah AlOudah owns 1,875 shares, representing 0.000094% of the shares of Saudi Telecom Company, the substantial shareholder; Omar Abdulaziz Nasser AlShabibi owns 1,002 shares, representing 0.000050% of the shares of Saudi Telecom Company, the substantial shareholder; Mathad Faisal Mathad AlAjmi owns 10,421 shares, representing 0.000521% of the shares of Saudi Telecom Company, the substantial shareholder; and Mohammed Abdullah Hassan AlAbbadi owns 1,719 shares, representing 0.000086% of the shares of Saudi Telecom Company, the substantial shareholder.

5-11 Employee Shares

The Company does not have any employee share programs in place prior to submission of the application for registration and offer of securities subject to this Prospectus, and none of the Company's employees hold any shares in the Company as at the date of this Prospectus. However, the Company has decided to set up an employee share program to provide incentives to attract and retain outstanding Company employees as part of its effort to achieve the Company's goals. As of the date of this Prospectus, the Company has not specified the terms of the program. On 04/07/1442H (corresponding to 16/02/2021G), the Company's Extraordinary General Assembly approved the launch of an employee share program and authorized the Board to determine the terms of the program, including the allocation price for each share offered to employees, if offered for consideration. Work is still underway by the Board to determine the terms of the Employee Share Program, which will be announced once completed.

Under a resolution of the Company's Extraordinary General Assembly dated 04/07/1442H (corresponding to 16/02/2021G), upon completion of the Offering, stc will sell one million, two hundred thousand (1,200,000) shares to the Company at the final Offer Price determined in accordance with the book building process, which will be allocated to the Company's employees as part of the Employee Share Program. Accordingly, the Company's Extraordinary General Assembly authorized the Board to complete the Company's purchase of its shares (for further details about the Company's employees and compliance with Saudization, please refer to Section 4.10 "**Employees**" of this Prospectus).

6- Management Discussion and Analysis of Financial Position and Results of Operations

- 6-1 Introduction
- 6-2 Directors' Declarations on the Financial Statements
- 6-3 Key Risks Affecting the Company's Operations
- 6-4 Summary of Accounting Policies
- 6-5 Results of Operations for the Financial Years Ending 31 December 2018G, 2019G and 2020G

6- Management Discussion and Analysis of Financial Position and Results of Operations

6-1 Introduction

The Management Discussion and Analysis of Arabian Internet and Communication Services Company (“solutions” or “the Company”) and its subsidiary (together, “the Group”) provides an analytical review of the Company’s operational performance and financial position as at and for the years ended 31 December 2018G, 2019G and 2020G. This section and the accompanying notes have been prepared on the basis of the consolidated financial statements for the financial years 2018G, 2019G and 2020G. The consolidated financial statements have been audited in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia by the Company’s independent auditor, Ernst & Young & Co. (Certified Public Accountants) (“EY”). The Company has applied the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (collectively referred to as the “**International Financial Reporting Standards (IFRS) as endorsed in KSA**” or “**IFRS-KSA**”) for the preparation of the consolidated financial statements for the years ended 31 December 2018G, 2019G and 2020G.

Neither Ernst & Young & Co. (Certified Public Accountants) nor any of its subsidiaries or their employees (forming part of the team working for the Company), or their relatives own any shares or stock of any kind in the Group that would impair their independence as of the issue date of the report on the consolidated financial statements. As of the date of this Prospectus, Ernst & Young & Co. (Certified Public Accountants) have given and not withdrawn their written consent to the reference in this Prospectus to their role as independent auditors of the Group for the financial years ended 31 December 2018G, 2019G and 2020G.

(The above-mentioned financial statements are an integral part of this Prospectus and should be read in conjunction with these statements and their supplementary explanations. These financial statements are included in the Section 19 “**Financial Statements and Auditor’s Report**” of this Prospectus.)

All amounts in this section have been rounded off to the nearest thousand Saudi riyals unless otherwise stated, and the numbers and percentages are rounded to the nearest decimal. As such, if totaled, the numbers may differ from those stated in the tables. Subsequently, all annual percentages, indicators, expenses and accumulated CAGRs are based on the rounded figures.

Financial information from the comparative financial information presented in the Company’s audited consolidated financial statements for the financial years ended 31 December 2019G has been used for the financial year ended 31 December 2018G. Financial information from the Company’s audited consolidated financial statements for the financial years ended 31 December 2020G has been used for the financial years ended 31 December 2019G and 2020G.

This section might include forward-looking statements related to the Company’s future capabilities, based on the management’s plans and prospects as to its growth, results of operations and financial condition that could involve prospective risks and uncertainties. The Company’s actual results could differ materially from those anticipated as a result of numerous factors, risks and future events, including those discussed in this Section of the Prospectus or elsewhere thereof, particularly Section 2 “**Risk Factors**”.

6-2 Directors’ Declarations on the Financial Statements

The Directors declare that the financial information presented in this section is extracted without material change and is presented to be consistent with the audited consolidated financial statements for the years ended 31 December, 2019G (for the financial information as at and for the financial year ended 31 December 2018) and 2020G (for the financial information as at and for the financial years ended 31 December 2019G and 2020G) and the accompanying notes, which were prepared by the Company in accordance with International Financial Reporting Standards (IFRS) as endorsed in KSA. They were audited by the Company’s independent auditor, Ernst & Young & Co. (Certified Public Accountants).

The Directors also declare that the Company alone has sufficient working capital for 12 months from the date of this Prospectus.

The Directors declare that there has been no material adverse changes to the Company’s financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditor report until the date of issuing this Prospectus, with the exception of those mentioned in section or any another section in this Prospectus, especially the factors mentioned in Section 2 “**Risk Factors**”.

The Directors declare that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts the omission of which would make any statement herein misleading.

The Directors declare that the Company does not have any property, including contractual financial securities or other assets, the value of which is subject to fluctuations or difficult to ascertain, which significantly affects the evaluation of the financial position.

The Directors confirm that the Company and its Subsidiary did not provide any commissions, discounts, brokerages or other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

The Directors declare that the Company does not have any loans or any other liabilities either covered by personal guarantee or non-personal guarantee, or covered or not covered by mortgage, including overdraft from bank accounts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments except those disclosed in Section 12.54 **"Financing agreements"**, Section 2 **"Risk Factors"** and Section 6 **"Management discussion and analysis of financial position and results of operations"** of this Prospectus.

The Directors declare that the Company has no intention of making any fundamental change to its activity.

The Directors declare that the Company's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last 12 months.

The Directors confirm that the Company's capital is not under option.

The Directors declare that the Company has presented comprehensive details in this Section of any potential liabilities and has calculated and recorded an allocation for the obligations set out under the Management's discussion and analysis of financial position and results of operations (for more information, see Section 6.5.38 **"Capital Commitments and Contingent Liabilities"** for extrabudgetary liabilities, Section 6.5.20 **"Accounts Receivable"** and Section 6.5.22 **"Contract Assets"** of this Prospectus for allocations recorded in the general budget).

The Directors confirm that a program has been approved by the General Assembly concerning the granting of shares to some employees as performance bonuses in accordance with the procedures and conditions of the program set out in this Prospectus (for more information, see Section 5.11 **"Employee Shares"** of this Prospectus).

The Directors declare that the properties of the Company and its Subsidiary are not subject to any mortgages, rights or encumbrances as of the date of this Prospectus.

The Directors declare that the Company has presented comprehensive details in this Section of all fixed assets and investments and other assets whose value is volatile or difficult to estimate, as the Company has not entered into any substantial contracts of this type.

The Directors declare that the Company has no issued or existing or approved but unissued debt instruments, term loans or secured or unsecured mortgages, except as disclosed in Section 12.54 **"Financing Agreements"** of this Prospectus.

Other than as set out in this Prospectus, neither the Directors nor any of their relatives have any shares or interest of any type in the Issuer or any of its subsidiary companies.

6-3 Key Risks Affecting the Company's Operations

Following is a discussion of the most important factors that have affected or are expected to affect the Company's financial position and the results of its operations. These factors are based on the information currently available to the Company. The factors may not have an impact on the Company's business.

6-3-1 Economic Factors and Government Customer Business

The Company is a strategic partner and contributor to the government's digitization drive. The Company has worked with and delivered many projects with government and semi-government entities that contribute significantly to the Company's revenue. In 2018G, 2019G and 2020G, 44.3%, 47.0% and 50.4%, respectively, of the Company's net revenues were from government customers in the Kingdom. As of 31 December 2020G, the Company's top five contracts by value across product categories were with government customers. The contribution of the government customer segment is expected to continue to be strong and may increase in future periods, as the government of the Kingdom has stated that IT services and digitalization are among its strategic priorities.

Given its concentration of government and semi-government customers, the Company is impacted by financial, budgetary and regulatory constraints and changes in government policy and public spending constraints which could have a significant impact on the size, scope, timing and duration of contracts and orders placed by these customers and, therefore, on the financial performance of the Company.

6-3-2 The Company's Relationship with stc

Through its relationship with stc, the Company is able to participate in tenders for stc projects to provide IT services, which are large projects in the public and private sectors in the Kingdom. The Company's revenues from its direct sales to stc as a customer of the Company represented 42.7%, 39.2% and 35.2% of the Company's net revenues in 2018G, 2019G and 2020G, respectively, and the Company's revenues generated through stc represented 41.9%, 40.2% and 39.0% of the Company's net revenues in 2018G, 2019G and 2020G, respectively. Related Party transactions (sell-to-stc and sell-through-stc) have demonstrated a decline since 2018G (representing 84.6% of total revenue, net in 2018G, which decreased to 79.4% in 2019G and 74.2% in 2020G) as the Company has been successfully diversifying its customer base. SAR 2.146 billion of the Company's outstanding receivables from Related Parties as of 31 December 2020G was due from stc, which represented approximately 72.5% of the total accounts receivable as at 31 December 2020G. The Company is witnessing a shift in its sales portfolio from sales-to-stc to sales-to-B2B for revenue generation (as sales-to-stc as a customer of the Company represented around 43% of the total revenues in 2018G and dropped to around 35% of the total revenues in 2020G in line with the Management's strategy to diversify its revenue base). It should be noted that the Company offered discounts on some projects implemented through stc, which amounted to SAR 199.1 million, SAR nil, and SAR 100.0 million in 2020G, 2019G, and 2018G, respectively.

As a result, the Company's business, results of operations and financial position may be significantly affected by the level of stc's IT spending and its policies, business, results of operations and financial position. Moreover, the Company's business is also affected by any of the risks to which stc is exposed, which may affect the continuity of its business.

The Company has entered into several material agreements with stc, under which the Company provides solutions and services to stc as a customer of the Company (for further details about the Company's material agreements with stc as a customer of the Company, see Section 12.5 "**Material Agreements**" and Section 12.6.1 "**Agreements with stc**" of this Prospectus). These agreements are integral to the strategies and objectives of both the Company and stc. However, many of these agreements contain a right of both parties to terminate at will, and at the end of the term.

In addition to the above, the Company and stc employ a business model whereby a significant portion of the Company's revenue is generated by sales to customers through stc as a sales partner (for further details, see Section 4.7.2 "**Sales Channels**" and Section 6.5.3 "**Revenue, Net by Channel**" of this Prospectus). Through this relationship, the Company can access stc's customer base and leverage its presence in the market. In return, the Company provides stc with access to its technical and delivery team to design and execute projects, along with the opportunity to expand its portfolio to an IT services offering, in addition to the telecommunication services provided by stc. Customers to whom services are provided by the Company through this channel are typically billed directly by stc through joint sales channels, following which net revenues (after deducting stc's share) are returned to the Company. Accordingly, the Company benefits from its relationships with stc and its customer base.

The Company has entered into material agreements with stc that define the scope of services and break down responsibilities in respect of the services provided by the Company to stc's customers through joint sales channels, as well as divide the share of revenue resulting from the provision of those services between the Company and stc. In addition, they include some restrictions on the Company regarding licensing and distribution of its products subject to those agreements (for further details about these risks, see Section 2.1.36 "**Risks Related to Non-Competition with stc**" of this Prospectus). In particular, the Company's ability to generate revenue from DIA depends on its material agreements with stc. The Company also relies on good faith cooperation with stc in implementing their market strategy, which aims to remove direct competition between the Company and stc with regard to DIA sales, which represents a significant portion of the Company's profitability (for further details about the Company's material agreements with stc as a sales partner, see Section 12.5 "**Material Agreements**" and Section 12.6.1 "**Agreements with stc**" of this Prospectus). Upon the expiry of these material agreements, stc is not legally obligated to renew these contracts or enter into new contracts with the Company.

6-3-3 Competitive Factors, Rapid Technological Developments and Customer Demand

The market for technology and IT services is intensely competitive, highly fragmented and subject to rapid change and evolving industry standards, and the Company expects competition to intensify. In addition, there may be one or more existing market leaders in any vertical or geography that the Company decides to expand into, including international companies. While international competitors currently account for a relatively small share of the IT services market in the Kingdom, this is expected to increase in the future. The Company may also face competition from national "champions" promoted by the government in selected industry segments. Strong competition for products and prices can result in increased costs and expenses, including advertising, marketing, future sales, research and development costs, product discounts, and product replacement, marketing support, and ongoing product-related service fees. The market for IT services is characterized by rapid technological change, frequent new product introductions, technology enhancements, increasingly sophisticated customer requirements and evolving industry standards. The Company's future success depends on its ability to continue to develop, market and implement services and solutions that are

attractive, timely and cost-efficient for its existing and new customers. This requires the Company to anticipate and respond to rapid and continuing changes in technology, industry developments and IT service and solution offerings by new entrants in order to serve the evolving needs of the Company's customers. The Company's growth strategy focuses on responding to these types of developments by continuing to develop the Company's offerings through innovation and by utilizing new technology to meet customer needs. There is no potential competition by the Company's Related Parties for some of the services provided, given that there are exclusive restrictions between both parties under the contracts signed. In addition, the Company's DIA services are different from those of stc according to the terms of SLA specifications.

6-3-4 Risks Related to the Outbreak of COVID-19 or any Other Infectious Disease

In March 2020, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of the disease COVID-19, caused by a novel strain of coronavirus, SAR S-CoV-2. The COVID-19 outbreak and certain preventative or protective actions that governments, businesses and individuals have taken in respect of COVID-19 have resulted in global business disruptions. The COVID-19 pandemic has adversely affected global economies, financial markets, global demand for oil and oil prices, and the overall environment in which the Company does business, and the extent to which it may impact the Company's future results of operations and overall financial performance remains uncertain. The Company's operations and financial results have not been materially affected by the outbreak of Covid-19, taking into account the slight impact of the pandemic on the operations and activities of companies operating in the telecommunications industry. The impact of the pandemic on the Company's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty (difficulty in predicting results), given that they depend on several future factors and developments that cannot be reliably forecast.

6-3-5 Risks Related to Failure to Anticipate the Cost and Complexity of Performing Services

The pricing of IT services contracts is complex and highly dependent on the Company's internal estimates, predictions and assumptions for the Company's projects and, in particular, the cost of providing the relevant IT services. These estimates, predictions and assumptions might be based on limited data and could turn out to be inaccurate. If the Company does not accurately estimate the scope of its costs and timing for completing projects, its contracts could prove unprofitable for the Company. There is a risk that the Company will underprice its projects, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. In circumstances where the Company encounters unexpected costs, the Company generally seeks to negotiate with contractors and suppliers to reduce underlying costs. However, there can be no assurance that such negotiations with contractors and suppliers will result in agreements being reached which will reduce the impact of cost increases on the Company. The forecast and cumulative revenues for future years cannot be estimated very accurately, especially for projects that have not yet started where revenues are calculated based on purchase orders (generally estimated), which may not always represent actual work orders, or actual contract values (taking into account that the expected differences may be of low value).

In order to operate and manage its business, the Company relies on products and services provided by third parties from suppliers and subcontractors. The Company also partners with global technology vendors and integrates them into the solutions that it offers to customers. Any restriction by any third-party suppliers and subcontractors upon which the Company relies, in addition to temporary and permanent discontinuation of their business or inability to provide their services at acceptable prices or conditions of the Company will adversely affect the Company.

6-3-6 Risks Related to Lead Time between Incurrence of Project Costs and Collection of Revenue for Certain Projects

With certain customers, given the nature and importance of a particular agreement, the Company may enter into high-risk agreements, whereby it commences project execution and development activities prior to signing a purchase order with the customer. Such arrangements represented 3% of the Company's net revenues in both 2019G and 2020G. Under high-risk agreements, there is usually a lead time between incurrence of project costs and recognition of revenue (in line with the accounting standards applicable in the Kingdom). Therefore, any delay in the Company's ability to obtain a signed purchase order from a customer under such arrangements could reduce the Company's revenue in that period or render it entirely unable to collect payment for implementation and development costs incurred for work that has already been performed, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

6-3-7 Risks Related to Changes in the Regulatory Environment

Changes in the regulatory environment may affect the Company's operations by restricting the development of the Company, its customers, operations, sales, or services, or increasing the level of competition. For example, localization requirements and data protection regulations in the Kingdom may introduce restrictions, or the ability of international

cloud and analytics providers to serve customers in the Kingdom may also be restricted. In addition, the Government may impose tariffs on Company services, such as the tariffs levied under CITC regulations, if it designates some of the Company's revenue sources related to telecommunication services and some cloud services products such as cloud connectivity services as subject to tariffs. However, any relaxation of localization regulations in future could result in international players competing for the Company's business sector. Any of these factors would have a material adverse impact on the Company's business, results of operations, financial position and future prospects.

6-4 Summary of Accounting Policies

6-4-1 Basis of Preparation

Change in Legal Form

Although the first fiscal period of the Company (after its conversion to a joint stock company) runs from 31 December 2020G to 31 December 2021G, the Company has prepared its consolidated financial statements for the year ended 31 December 2020G, which reflects its accounting year.

Statement of Compliance

The consolidated financial statements of the Company and its Subsidiary (referred to together as "the Group") were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the KSA and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs as endorsed in the KSA").

These consolidated financial statements have been prepared based on the following:

- Significant accounting policies described in the notes below; and
- Significant accounting estimates, assumptions and judgements described in notes below.

6-4-2 Changes in Accounting Policies

Changes in accounting policies are reflected in the Company's consolidated financial statements for the year ended 31 December 2018G, 31 December 2019G and 31 December 2020G. The audited consolidated financial statements for the years ended 31 December 2018G were the first set of the Group's annual financial statements in which IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been applied. The Company adopted IFRS 15 and 9 using the full retrospective method of adoption. The Company has also adopted IFRS 16 in using the modified retrospective approach with the effect of applying this standard at the date of initial application (01 January 2019G) and accordingly the information presented for 2018G has not been restated. It remains as previously reported under IAS 17 and related interpretations.

IFRS 16 "Leases"

At inception of a contract, the Group assesses whether a contract is or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all economic benefits from use of the asset throughout the period of use;
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either: the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into or changed on or after 01 January 2019G.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected to separate non-lease components and account for the non-lease components separately.

For contracts entered into before 1 January 2019G, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- an arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of items that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the year of 2018G, as a lessee the Group classified leases that transfer substantially all risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's consolidated statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-

line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

New and Amended Standards and Interpretations adopted by the Group

The Group applied certain standards and amendments for the first time which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Business Combinations

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018G

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendments provide relief to lessees by applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020G. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020G, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989G, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018G without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022G and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020G, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items and the costs of producing those items in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022G and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020G, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022G. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per Cent’ Test for Derecognition of Financial Liabilities

As part of its 2018G-2020G annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

[New Adopted Policies](#)

[Share-based Payment Transactions](#)

The Company’s executive employees receive remuneration in the form of share-based payments under the Long-Term Employee Incentives Program, whereby employees render services as consideration for Company shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument on the grant date. The grant date is the date on which the Company and the employee agree to the share-based agreement, where a shared understanding of the terms and conditions of the agreement exists between the parties. Share-based payment expense is included as part of the employee benefits expense over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard 2 – Share-based Payment. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

6-4-3 Basis of Measurement and Functional Currency

The 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 referred to below.

These consolidated financial statements are presented in thousands of Saudi riyals (SAR), which is the Company's functional currency.

6-4-4 Basis of Consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and its Subsidiary.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- a- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- b- Exposure, or rights, to variable returns from its involvement with the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

6-4-5 Revenue

System Integration

System Integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network. Hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software which the customer has purchased. The Group also provides the right to maintenance and support service to its customer (i.e. sells maintenance and support services). These services are stand-ready services and the cost incurred on them is directly attributable to the project. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on expected cost-plus margin.

The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method, which includes the uninstalled material, where revenue on equipment and materials is recognized only upon transfer of control to the customers upon delivery, i.e., at a zero percent profit margin.

Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs.

Revenue on training is recognized over time using the input method.

The Group offers perpetual and limited life licenses, which are accounted for as a performance obligation satisfied at a point in time at which the license is granted to the customer. The license, support service and upgrades are separate performance obligations. The Group recognizes the revenue when control transfers to the customer/end-user. Revenue is not recognized for a license that provides a right to use the intellectual property before the beginning of the period during which the customer is able to use and benefit from the license. In the case of sale of software licenses together with hardware devices, the device and software will be accounted for as one performance obligation, without the software license being a separate performance obligation. The revenue from the one performance obligation will be recognized in accordance with the relevant treatment for the hardware device.

Cloud and Data Center Services

Cloud and data center service revenue represent revenue generated by selling the cloud and data center products hosted on the marketplace and falls broadly into two options:

a- The Group's Own Off-the-Shelf or Customized Cloud Products:

Cloud products are the primary responsibility of the Company and certain third-party Cloud Service Providers ("CSP"). The Group has the primary obligation to render services to the customer for its own off-the-shelf or customized cloud products to fulfil its performance obligation. The Group is responsible for meeting customer specifications. The Group also has discretion in establishing the prices for the respective cloud products. Generally, there is no inventory involved as such. Cases where equipment or SMS's are separately sold to the customer, the Group bears the inventory risk. Therefore, the Group is the principal under this arrangement because it controls the specified cloud service before they are transferred to the end customer and, consequently, shall recognize revenue in the gross amount of consideration to which it is entitled in exchange for providing the services to the end customer.

b- Third Party CSP Cloud Products:

CSPs are primarily responsible for rendering services to customers for undertaking to deliver cloud services, hardware or bundled solutions at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer. The respective CSP establishes the prices on their own for their cloud products and the Group does not have discretion in establishing the price for CSP cloud products. Therefore, the Group is an agent in this arrangement. Whereby the cloud is sold through stc's marketplace, the Group is principal to stc but remains an agent to the end customer.

Since cloud contracts have terms of minimum commitment with customers, the Group estimates the variable consideration using the expected value approach only to the extent that it is highly improbable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to a 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future events not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Hosting services offered by the Group to third party CSPs is an independent service which is distinct and there is no significant integration or customization to them. Hence, both the criteria mentioned of identifying a performance obligation are met. Thus, hosting services offered by the Group could be said to be a separate performance obligation.

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Customer benefits from these services over the period as and when they consume the cloud product. Revenue is recognized over a period of time. Each pre-defined and customized product is further divided into two categories based on their nature:
 - a- Subscription packages – Revenue is recognized over a period of time based on the time elapsed output method.
 - b- Pay as use packages – Revenue is recognized over a period of time applying the usage base output method.
- Hardware ("Add-ons") - Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer, i.e., upon installation or delivery.

The Group recognizes its share of revenue, i.e., 25% of the total invoice value billed to the end customer on behalf of the third party CSP upon acceptance of service by the end customer.

Where cloud and data center services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cloud and data center services is recognized as revenue based on the above policy.

The Group charges the customers for certain activation activity. However, under IFRS 15 the activation activity does not give rise to promised goods or services which are distinct in nature. Applying the guidance of non-refundable upfront fees, the Group recognizes revenue from activation fees when the goods or services to which they relate are provided to the customer.

Outsourcing Services

The Group provides outsourcing services which primarily include outsourcing services, managed outsourcing services or solution support. Further, with outsourcing services the customer may also request that the Group deliver some hardware equipment.

Hardware equipment is sold separately in the market. The customers can request the equipment under the outsourcing service arrangement, which is independent of the professional service. There is neither integration of hardware with services nor any modification or customization of the equipment. Thus, hardware is a separately identifiable component in the outsourcing contract (only for outsourcing services) and accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. Revenue for outsourcing services is recognized over a period of time using the input method based on cost incurred. If contracts include hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware. The revenue for solution support is recognized over a period of time using the output method based on time elapsed.

Communication and Internet Services

Communication and Internet service revenue represents revenue generated by selling Dedicated Internet Access (DIA) and data services. If communication and internet services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to internet services (DIA) as the customer avails the benefit of these services over the period as and when they consume the internet service. Revenue is recognized over a period of time using the output method based on time elapsed. Revenue in relation to data services is recognized when the customer avails the benefit of these services over the period as and when they consume the data service. Revenue is recognized over a period of time using the output method based on time elapsed (coinciding with the billing).

Managed Services

Revenue from managed services includes managed router service, managed LAN service and managed Wi-Fi service.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable from other items and if a customer can benefit from it.

Managed router services revenue represents revenue generated by selling routers, managing routers and providing technical support service and is recognized as follows:

- Hardware: Revenue from hardware sales is recognized at a point in time when the control of the hardware is transferred to the customer i.e., upon delivery.
- Managed router services: Customer benefits from these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using the output method based on time elapsed.
- Technical support services: Customer benefits from these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using the output method based on time elapsed.

Where managed services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices, which for hardware is the adjusted market or cost-plus margin approach and for managed router services and technical support services it is observable prices. The consideration allocated to managed services is recognized as revenue based on the above policy.

Digital Services

Digital services revenue includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable from other items and if a customer can benefit from it.

Fleet control services revenue represents revenue generated by selling fleet control devices (hardware), application service and value-added service like roaming service and are recognized as follows:

- **Hardware (devices):** Revenue from hardware sales is recognized at a point in time when the control of the hardware is transferred to the customer i.e., upon installation.
- **Application services:** Customer benefits from these services over the period of the contract. Revenue is recognized over a period of the contract using the output method based on time elapsed.
- **Valued added services:** Customer benefits from these services over the period of the contract. Revenue is recognized over a period of the contract using the output method based on usage.

Cybersecurity Services

Cybersecurity revenue represents revenue generated from providing security products and services to the customers' networks, or any other security services.

For projects, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other undertakings in the contract. The Group provides a significant service of integrating the hardware and software which the customer has purchased. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method, which includes guidance for materials that were not installed, where revenue on hardware/software is recognized only to the extent of the cost incurred i.e., at a zero percent profit margin. Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs. Revenue on training is recognized over time using the input method.

For managed security services, there are three performance obligations: hardware, installation and managed security services. They can be distinct and distinct within the context of the contract. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin or adjusted market price. The Group recognizes revenue related to hardware with its installation at a point in time when the installation is done. Revenue from managed security services is recognized over time based on the time elapsed since the customer is receiving and consuming the benefit provided by the Group simultaneously as the Group performs the same.

Where cybersecurity services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cybersecurity services is recognized as revenue based on the above policy.

Other Considerations

- **Contract Costs**
The Group may incur costs to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services and are periodically reviewed for impairment.
- **Work-in-Progress**
Work-in-progress for an over-time performance obligation is generally expensed as a fulfilment cost when it is incurred because control of the work in progress transfers to the customer as it is produced and not at discrete intervals. However, inventory to support multiple contracts that has an alternative use is recognized as an asset until it is dedicated to a specific contract.

- **Contract Assets and Liabilities**

Under IFRS 15, when either party to a contract performs, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

- **Principal Versus Agent Consideration**

The Group has evaluated its arrangements to determine whether it is a principal, and thus reports revenues on a gross basis, or an agent, and thus reports revenues on a net basis. In this assessment, the Group considered whether it has obtained control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk, and discretion in establishing price.

Where the Group performs agency related activities under a contract as the end customer receives project management and coordination support, the Group only recognizes net commission income, as the Group arranges for another party to transfer goods or services under such arrangement and accordingly is acting as an agent.

- **Variable Consideration**

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to a 25% revenue share of the consideration between the CSP and the end customer. As the agreement between the Group and the CSP is a month-on-month contract and the consideration is a variable consideration contingent upon a future event not within the Group's control, the Group recognizes their share of revenue, i.e., 25% of the total invoice value billed to the end customer on behalf of the third party CSP, upon acceptance of service by the end customer.

- **Presentation and Disclosure Requirements**

As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See the note below for the disclosures on disaggregated revenue.

6-4-6 IFRS 9 "Financial Instruments"

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of cash flows. The Group classifies its financial assets as:

- Financial assets measured at amortised cost; or
- Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of profit or loss or through the consolidated statement of OCI.

Initial Measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through the income statement are recognised in the consolidated statement of profit or loss, when incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent Measurement

Debt Instruments

The Group recognises three classifications to subsequently measure its debt instruments:

- **Amortised Cost**

Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest (“**SPPI**”), are measured at amortised cost. A gain or loss on an investment in debt instruments subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of profit or loss when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the Effective Interest Rate (“**EIR**”) method.

- **FVOCI**

Financial assets held for collection of contractual cash flows and for selling financial assets, where the assets’ cash flows solely represent payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other income/ expenses. Interest income from these financial assets is included in finance income using the EIR method. Foreign exchange gains and losses are presented in other income/expenses.

- **FVPL**

Financial assets at fair value in the income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value in the income statement, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value in the income statement, irrespective of the business model.

Financial assets at fair value in the income statement are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. This category includes derivative instruments.

Equity Instruments

The Group measures all investments in equity instruments at fair value and presents changes in the fair value of investments in equity instruments in OCI. Dividends from such investments continue to be recognised in the special-purpose statement of profit or loss as other income when the Group’s right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of profit or loss.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, and either:
 - a- The Group has transferred substantially all the risks and rewards of the asset; or
 - b- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses (“ECL”) on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

- a- Stage 1: 12.months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

b- Stage 2: Lifetime ECL - not Credit Impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

c- Stage 3: Lifetime ECL - Credit Impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a Group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash

flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

B. Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVPL; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent Measurement

Financial liabilities at FVPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of a financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

6-4-7 Foreign Currencies

Transactions in currencies other than the Group's functional currency ("**foreign currencies**"), which is SAR, are recognized at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

6-4-8 Current Versus Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on the current/non-current classification. An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets that do not meet the above criteria, as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities that do not meet the above criteria, as non-current.

6-4-9 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6-4-10 Expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and sale of the Group's products and services.

General and administration expenses include direct and indirect costs not specifically part of cost of sales or selling and distribution expenses as required under IFRSs as endorsed in the KSA. Allocations between general and administration expenses, cost of sales and selling & distribution expenses, when required, are made on a consistent basis.

6-4-11 Zakat

Zakat is calculated and provided for by Saudi Telecom Company (the "Parent Company") and its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Group's share of its provision is charged to the consolidated statement of profit and loss and other comprehensive income.

6-4-12 Dividends

The Company recognizes a liability to distribute dividends to the Partners of the Company when the distribution is approved by the shareholders and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in the KSA, a distribution is authorized when it is approved by the Partners. A corresponding amount is recognized directly in equity.

6-4-13 Employee Benefits

End of Service Indemnities

The Group primarily has end of service indemnities which qualify as defined benefit plans.

The pension liability recognized in the consolidated statement of financial position is the present value of the projected Defined Benefit Obligation (DBO) on the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximate to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used.

As there are insufficient corporate and government bonds in the Kingdom of Saudi Arabia to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' related costs in the consolidated statement of profit or loss and other comprehensive income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Current and past service costs related to end of service indemnities and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor Laws and Workmen Law as well as the Group's policy.

Retirement Benefits

The Group pays retirement contributions for its national employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-Term Employee Benefits

A liability is recognized for benefits accruing to employees for wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position. Liabilities recognized for short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

6-4-14 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. An appropriate provision is made for obsolete and slow-moving inventories, if required.

6-4-15 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in the estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, is amortized at a rate of 20% per annum.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated profit or loss when the asset is derecognized.

6-4-16 Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant portions of property and equipment must be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The Group applies the following estimated useful life to its property and equipment and depreciates accordingly:

Computer hardware	3 to 5 Years
Furniture	5 Years
Office equipment	5 to 20 Years
Leasehold improvements	Lower of the lease period or 5 years
Motor vehicles	5 Years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial period ended and adjusted prospectively, if appropriate.

6-4-17 Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

6-4-18 IFRS 16 Leases

This policy has been implemented on the executed or changing contracts on or after 1 January, 2019G. The Group assesses whether a contract contains a lease at inception of the contract. For all such lease arrangements the Group recognizes 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 mainly comprise of lease of building and is amortized over the respective lease period.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

6-4-19 Onerous Contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

6-4-20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

6-4-21 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

6-4-22 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in the consolidated profit or loss in the period in which they become receivable.

6-4-23 Segmental Information

The information related to the Group's operating segments set forth below is based on IFRS 8, which requires identification of the operating segments based on internal reports regularly reviewed by the Group's main operational decision maker for the purpose of resource allocation among segments and performance assessment.

The Group works in IT and communications services as set forth below. Most of the Group's revenue, income and operations assets are in the Kingdom. The operating segments regularly reported to the Group's main operational decision maker are sources of revenue and resources distributed to the operating segment based on revenues detailed 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)
- **Managed IT services 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 revenues among the segments for the year ending on 31 December 2020G (31 December 2019G: zero). Subsequently, settling the segment revenue with the total revenue is immaterial.

6-4-24 Significant Accounting Estimates, Assumptions and Judgements

The preparation of the Group's 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful Lives and Residual Values of Property and Equipment and Intangible Assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Change in Estimates Regarding Useful Life of Assets

During 2020G, the Group reviewed the estimated useful lives of property and equipment. Management believes that it is appropriate to change the estimated useful life of the property and equipment as follows:

Main category	Sub category	Old life	Revised life
Computer hardware	Computer servers	3 Years	5 Years
Computer hardware	Workgroup devices	3 Years	5 Years
Vehicles	Cars	4 Years	5 Years

The changes in the estimated useful lives of property and equipment have been applied prospectively from 1 January 2020G. The changes in useful lives have resulted in a net decrease in the depreciation charge for the year ended 31 December 2020G amounting to SAR 33.9 million and an increase in net profit for the year by the same amount.

Expected Credit Losses ("ECL")

For accounts receivables and contract assets, the Group applies the simplified approach. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking macroeconomic information. The Group estimates the case by case provision on stc, government and private customers based on the internal assessment regarding the collectability of the

balances and this assessment is performed based on the available information. An estimate of the collectible amount is made when collection of the amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

Impairment of Non-Financial Assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of Inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant items of inventory this estimation is performed on an individual basis. Items of inventory which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices less estimated costs of sale.

Long-Term Assumptions for Employee Benefits

Employee end of service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, the Group's management consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Determining the Lease Term of Contracts with Renewal and Terminations Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

Incremental Borrowing Rate for Lease Agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs, such as market interest rates when available, and is required to make certain entity-specific estimates.

Provisions

By their nature, provisions are dependent upon estimates and assessments to confirm whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Contract Cost Estimation

The Group recognizes contract revenue by reference to the stage of completion of the activity at the reporting date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Assumptions are required to estimate the total estimated contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers and other technical team. The accuracy of these estimates is likely to have an impact on the amount of revenue and related profits recognised.

At the end of each reporting period, the Group is required to estimate costs to complete the contracts based on work to be performed beyond the reporting period. This involves objective evaluation of project progress against the schedule, evaluation of work to be performed and the associated costs to fully deliver the contract to the customer. This estimate will impact contract revenue and costs, contract assets, contract liabilities and accrued project costs. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognized may increase or decrease from period to period.

6-5 Results of Operations for the Financial Years Ending 31 December 2018G, 2019G and 2020G

6-5-1 Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

Table (6-1): Consolidated Statement of profit or loss and other comprehensive income data for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Revenue, net	4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
Cost of revenue	(3,076,252)	(4,410,052)	(5,469,447)	43.4%	24.0%	33.3%
Gross profit	965,047	847,245	1,421,972	(12.2%)	67.8%	21.4%
Selling and distribution expenses	(113,017)	(157,596)	(159,117)	39.4%	1.0%	18.7%
General and administration expenses	(270,185)	(350,146)	(459,734)	29.6%	31.3%	30.4%
(Impairment) / reversal of impairment of accounts receivable and contract assets	(9,521)	8,526	(46,114)	(189.5%)	(640.9%)	120.1%
Other (loss) / income, net*	5,642	2,141	(2,335)	(62.1%)	(209.1%)	na
Gain from sale of a subsidiary	-	71,992	-	n.a	(100.0%)	na
Net profit before finance (costs) / income and Zakat	577,966	422,161	754,672	(27.0%)	78.8%	14.3%
Finance (costs) / income, net	30,320	12,598	(899)	(58.5%)	(107.1%)	na
Net profit before Zakat	608,287	434,759	753,774	(28.5%)	73.4%	11.3%
Zakat	(51,831)	(40,933)	(51,978)	(21.0%)	27.0%	0.1%
Net profit for the year	556,455	393,825	701,796	(29.2%)	78.2%	12.3%
Remeasurement of end of service indemnities	10,790	(2,378)	(35,271)	(122.0%)	1383.2%	na
Total comprehensive income for the year	567,245	391,447	666,524	(31.0%)	70.3%	8.4%
As a % of revenue, net	ppt.					
Gross profit margin	23.9%	16.1%	20.6%	(7.8)	4.5	(3.3)
Selling and distribution expenses	2.8%	3.0%	2.3%	0.2	(0.7)	(0.5)
General and administration expenses	6.7%	6.7%	6.7%	0.0	0.0	0.0
Net profit before Zakat	15.1%	8.3%	10.9%	(6.8)	2.7	(4.1)
Net profit for the year	13.8%	7.5%	10.2%	(6.3)	2.7	(3.6)

Source: Audited consolidated financial statements for the years ended 2018G, 2019G and 2020G except for the percentages that are from Management information

*In the financial statements for 2018G, losses from foreign currency and other revenue are shown independently

Company sales are generated through (i) its core business sectors which include: Core ICT Services (consisting of the System Integrations and Communication and Internet service lines), IT Managed and Operational Services (consisting of the Outsourcing and Managed Services service line) and Digital Services (consisting of the Cloud Services, Cybersecurity and Digital Services service lines) (ii) through sale channels which include (a) Business to Business (B2B) where sales are conducted either through stc or directly to customers, and (b) sell-to-stc where stc is the end customer. Net revenue increased by 30.1%, from SAR 4.0 billion in 2018G to SAR 5.3 billion in 2019G driven by the growth across all major product/service lines, specifically, System Integration (by 20.7%, from SAR 1.7 billion in 2018G to SAR 2.1 billion in 2019G million), Internet and Telecommunications Services (by 4.4%, from SAR 838.3 million in 2018G to SAR 875.3 million in 2019G), Outsourcing Services (by 30.9%, from SAR 690.2 million in 2018G to SAR 903.5 million in 2019G) and cloud services (by 76.9%, from SAR 269.9 million in 2018G to SAR 477.6 million in 2019G). While growth in net revenue was generated from all channels, the majority was from the B2B channel, where sales are made either through stc or directly to customers (by 37.8%, from SAR 2.3 billion in 2018G to SAR 3.2 billion in 2019G), which represented about 59% of overall net revenue throughout the period between 2018G and 2019G. This is due primarily to the Company's investment in competences and capabilities, in building the service portfolio required to meet the increasing needs in the ICT market and increasing the Company's market share, Management's focus on growing direct sales, which are under the B2B channel, and diversifying its customer base. Furthermore, the growth in the direct channel, in addition to growth from licenses, was further attributed to a development in government procurement practices where ICT-related projects are channelled directly to the Group due to certain licenses that it possesses.

Net revenue increased by 31.1% from SAR 5.3 billion in 2019G to SAR 6.9 billion in 2020G driven by growth across all major product/ service lines, mainly Core ICT services, which includes System Integration and Communication and Internet (by 26.5% from SAR 3.0 billion in 2019G to SAR 3.7 billion in 2020G). Growth in net revenue was generated from all channels, however the majority was from the B2B channel, where sales are made through stc or directly to customers (by 39.9% from SAR 3.2 billion in 2019G to SAR 4.5 billion in 2020G), which represented around 63% of overall net revenue throughout the period between 2019G and 2020G. The increase in revenue, net was due to the increase in demand for DIA and VSAT products against the overall growth in demand for connectivity (for more information on revenue, see Section 6.5.2 "Revenue, Net by Type of Customer", Section 6.5.3 "Revenue, Net by Channel" and Section 6.5.4 "Revenue, Net by Major Products and Services" of this Prospectus).

6-5-2 Revenue, Net by Type of Customer

Table (6-2): Revenue, Net by Type of Customer for the Financial Years Ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G–2019G	Variance 2019G–2020G	CAGR 2018G–2020G
stc	1,723,949	2,063,476	2,424,101	19.7%	17.5%	18.6%
Government and semi-government agencies	1,789,221	2,472,022	3,474,481	38.2%	40.6%	39.4%
Private companies	528,129	721,798	992,837	36.7%	37.6%	37.1%
Total Revenue, net	4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
As a % of revenues, net	ppt.					
stc	42.7%	39.2%	35.2%	(3.4)	(4.1)	(7.5)
Government and semi-government agencies	44.3%	47.0%	50.4%	2.7	3.4	6.1
Private companies	13.1%	13.7%	14.4%	0.7	0.7	1.3

Source: Management information

Sell-to-stc

Sell-to-stc represented 39.2% of total net revenue in 2019G, and mostly relates to system integration and outsourcing services governed through contractual agreements.

Sell-to-stc increased by 19.7%, from SAR 1.7 billion in 2018G to SAR 2.1 billion in 2019G in line with the growth of revenue in:

- 1- System integration (by 12.2%, from SAR 955.5 million in 2018G to SAR 1.1 billion in 2019G) as around 53% of total system integration revenue, net between 2018G and 2019G was sold to stc.
- 2- Cybersecurity (by 35.0%, from SAR 216.6 million in 2018G to SAR 292.3 million in 2019G) as most of these services are provided to stc (around 69% of total cybersecurity revenue, net between 2018G and 2019G).
- 3- Outsourcing services (by 20.7%, from SAR 521.5 million in 2018G to SAR 629.6 million in 2019G), which represented around 73% of total outsourcing services revenue, net between 2018G and 2019G.

Sell-to-stc represented 35.2% of total revenue, net in 2020G. Sell-to-stc increased by 17.5%, from SAR 2.1 billion in 2019G to SAR 2.4 billion in 2020G, in line with the growth in:

- 1- System integration (by 17.7%, from SAR 1.1 billion in 2019G to SAR 1.3 billion in 2020G) as around 53% of total system integration revenue, net between 2019G and 2020G was sold to stc.
- 2- Outsourcing services (by 11.9%, from SAR 629.6 million in 2019G to SAR 704.4 million in 2020G) due to the increase in the number of employees outsourced to stc (around 63% of total outsourcing services revenue, net between 2019G and 2020G).
- 3- Digital services (by 515.6%, from SAR 10.3 million in 2019G to SAR 63.2 million in 2020G) as most of these services relate to MRS, fleet control and ISPAN services (around 14% of total digital services revenue, net between 2019G and 2020G).

Significant growth in revenue, net from the B2B channel resulted in an overall shift in the Company's portfolio from sell-to-stc to sell-to-B2B for revenue generation (as sales to stc represented around 43% in 2018G and dropped to around 35% in 2020G in line with the Company's Management strategy to diversify its revenue base).

Sell-to-Government and Semi-Government Agencies

Sell-to-government and semi-government agencies represented 50.4% of total revenue, net in 2020G. Sell-to-government and semi-government agencies increased by 38.2%, from SAR 1.8 billion in 2018G to SAR 2.5 billion in 2019G and further to SAR 3.5 billion in 2020G in line with the Company's strategy to diversify its revenue base and obtain a greater contribution from sell-to-B2B. In addition to the Vision 2030 initiative, the Saudi Government is adopting many digitization initiatives.

Private companies

Sell-to-private companies represented 14.4% of total revenues, net in 2020G. In line with the growing revenues from government and semi-government agencies, revenues from private companies increased from SAR 528.1 million in 2018G to SAR 721.8 million in 2019G and further to SAR 992.8 million in 2020G, also in line with the Company's strategy to diversify its revenue base and obtain a greater contribution from sell-to-B2B through the Company's offering of its services to companies in various sectors and facilitating comprehensive mechanisms for digitization in the Kingdom in line with Vision 2030.

Related Party transactions (sell-to-stc and sell-through-stc) have demonstrated a decline since 2018G (representing 84.6% of total revenue, net in 2018G as compared to 79.4% in 2019G and 74.2% in 2020G) as the Company has been successfully diversifying its customer base.

6-5-3 Revenue, Net by Channel

Table (6-3): Revenue, net by channel for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s		2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
B2B – Sell-through-stc and sell-direct to customers (stc is not the end customer)	Sell-direct (stc is not the end customer)	625,769	1,078,096	1,776,571	72.3%	64.8%	68.5%
	Sell-through-stc	1,691,581	2,115,856	2,690,747	25.1%	27.2%	26.1%
Total		2,317,350	3,193,952	4,467,318	37.8%	39.9%	38.8%
Sell-to-stc (stc is the end customer)		1,723,949	2,063,345	2,424,101	19.7%	17.5%	18.6%
Total Revenue, net		4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
As a % of revenue, net		ppt.					
B2B – Sell-through-stc and sell-direct to customers (stc is not the end customer)		57.3%	60.8%	64.8%	3.4	4.1	7.5
Sell-to-stc (stc is the end customer)		42.7%	39.2%	35.2%	(3.4)	(4.1)	(7.5)

Source: Audited consolidated financial statements for the years ended 2018G, 2019G and 2020G and Management information

The Group operates through two main channels: (i) sell-to-stc, stc being the end customer, and (ii) sell-to-B2B, selling to third party customers directly and through stc.

Sell-to-B2B

Sell-to-B2B represented 64.8% of total revenue, net in 2020G, and includes sell-direct, and sell-through-stc. Sell direct mostly relates to System integration and Outsourcing Services provided to third party customers where contracts are signed between the Group and the final customer. Sell-through-stc relates to both projects and off-shelf, projects which are mainly secured by stc, and off-shelf products which are sold via stc's marketplace and are governed by revenue sharing agreements with the Company. Sell-to-B2B primarily consists of System Integration as well as Communication and Internet comprising around 70%, around 59% and around 56% of total B2B sales throughout the period between 2018G and 2020G. Sell-to-B2B as a % of total revenue, net increased from 57.3% in 2018G to 64.8% in 2020G due to the Group's focus on diversifying its customer base by servicing government and key enterprises and enriching its portfolio of products and services.

Sell-to-B2B increased by 37.8%, from SAR 2.3 billion in 2018G to SAR 3.2 billion in 2019G mainly as a result of the the Company's investment in competencies and capabilities, building a portfolio of services necessary to meet the growing needs in the ICT-related projects, and increasing the Company's market share.

Sell-to-B2B represented 64.8% of total revenue, net in 2020G. Sell B2B increased by 39.9%, from SAR 3.2 billion in 2019G to SAR 4.5 billion in 2020G mainly as a result of Management's focus on diversifying its customer base through leveraging the Group's current licenses by servicing government and key enterprises and enriching its portfolio of products and services through expanding into cybersecurity projects and services as well as managed and digital services.

Sell-to-stc

Sell-to-stc represented 35.2% of total revenue, net in 2020G, and mostly relates to system integration and outsourcing services governed through contractual agreements (for further details on sell-to-stc, see Section 6.5.2 "Revenue, Net by Type of Customer" of this Prospectus).

6-5-4 Revenue, Net by Major Products and Services

Table (6-4): Revenue, net by major products and services for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Core ICT services						
System Integration	1,727,381	2,084,811	2,315,753	20.7%	11.1%	15.8%
Communication and Internet	838,337	875,338	1,427,819	4.4%	63.1%	30.5%
Core ICT services revenue subtotal	2,565,718	2,960,149	3,743,572	15.4%	26.5%	20.8%
IT Managed and Operational Services						
Outsourcing Services	690,221	903,483	1,228,846	30.9%	36.0%	33.4%
Managed Services	163,443	251,803	401,179	54.1%	59.3%	56.7%
IT Managed and Operational Services revenue subtotal	853,664	1,155,286	1,630,025	35.3%	41.1%	38.2%
Digital services						
Cloud Services	269,913	477,558	677,004	76.9%	41.8%	58.4%
Cybersecurity	308,121	430,269	578,413	39.6%	34.4%	37.0%
Digital Services	43,883	234,034	262,405	433.3%	12.1%	144.5%
Digital services subtotal	621,917	1,141,861	1,517,823	83.6%	32.9%	56.2%
Total Revenue, net	4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
As a % of revenue, net	ppt.					
Core ICT services	63.5%	56.3%	54.3%	(7.2)	(2.0)	(9.2)
System Integration	42.7%	39.7%	33.6%	(3.1)	(6.1)	(9.1)
Communication & Internet	20.7%	16.6%	20.7%	(4.1)	4.1	0.0
IT Managed and Operational Services	21.1%	22.0%	23.7%	0.9	1.7	2.5
Outsourcing Services	17.1%	17.2%	17.8%	0.1	0.6	0.8
Managed Services	4.0%	4.8%	5.8%	0.7	1.0	1.8

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Digital services	15.4%	21.7%	22.0%	6.3	0.3	6.6
Cloud Services	6.7%	9.1%	9.8%	2.4	0.7	3.1
Cybersecurity	7.6%	8.2%	8.4%	0.6	0.2	0.8
Digital Services	1.1%	4.5%	3.8%	3.4	(0.7)	2.7

Source: Audited consolidated financial statements for the years ended 2018G, 2019G and 2020G except for percentages that are from Management information

Core ICT Services

Core ICT services pertains to System Integration and Communication and Internet. Core ICT services represented around 59.9% of total revenue, net over the period between 2018G and 2019G. Core ICT services increased by 15.4%, from SAR 2.6 billion in 2018G to SAR 3.0 billion in 2019G.

Core ICT services represented around 54% of total revenue, net in 2020G. Core ICT services increased by 26.5%, from SAR 3.0 billion in 2019G to SAR 3.7 billion in 2020G.

System Integration

System Integration is a service aimed to improve the capabilities, performance and productivity of a customer's facility and prepare the necessary equipment on the site. System Integration is the core business of the Group representing around 42% of total revenue, net over the period between 2018G and 2019G. System Integration revenue increased by 20.7%, from SAR 1.7 billion in 2018G to SAR 2.1 billion in 2019G mostly driven by the introduction in integration licenses in 2018G as the Group became an authorized Microsoft license provider (amongst other licenses). The growth was mainly generated from the B2B channel (by 31.2%, from SAR 771.9 million in 2018G to SAR 1.0 billion in 2019G) as licenses are sold through this channel in addition to growth in the sell-to-stc channel (by 12.2%, from SAR 955.5 million in 2018G to SAR 1.1 billion in 2019G).

System Integration represents around 34% of total revenue, net in 2020G. System Integration revenue, net increased by 11.1%, from SAR 2.1 billion in 2019G to SAR 2.3 billion in 2020G, mostly driven by an increase in the number of projects implemented. This growth was mainly generated from the sell-to-stc channel (by 17.7%, from SAR 1.1 billion in 2019G to SAR 1.3 billion in 2020G) as a result of the increase in the number of projects. This was coupled with growth in the sell-to-B2B channel (by 4.1%, from SAR 1.0 billion in 2019G to SAR 1.1 billion in 2020G).

Communication and Internet

Communication and Internet is a dedicated secured and high-quality business internet service, which represented around 19% of total revenue, net for the period between 2018G and 2019G. Communication and Internet revenue increased by 4.4%, from SAR 838.3 million in 2018G to SAR 875.3 million in 2019G, mainly due to the increase in revenue, net from Very Small Aperture Terminal (VSAT) products, as such products were introduced in 2018G (and ramped up in 2019G) and partially offset by the decrease in revenue, net for Dedicated Internet Access (DIA) products that decreased by SAR 115.4 million between 2018G and 2019G, mainly due to high competition in the market that led to a decrease in quantities sold. All communication and internet revenue is generated through the B2B channel.

Communication and Internet represented around 21% of total revenue, net in 2020G. Communication and internet revenue increased by 63.1%, from SAR 875.3 million in 2019G to SAR 14 billion in 2020G, mainly due to the increase in VSAT (by more than SAR 325.1 million) and DIA products (by more than SAR 229.6 million) between 2019G and 2020G as a result of the increase in demand for such products attributed to connectivity demand growth and specifically demand from government customers due to the Covid-19 pandemic. All communication and internet revenue is generated through the B2B channel.

IT Managed and Operational Services

IT Managed and Operational Services consists of outsourcing services and managed services, which includes management consulting. IT managed and operational services represented around 21.5% of total revenue, net between 2018G and 2019G. IT managed and operational services increased by 35.3%, from SAR 853.7 million in 2018G to SAR 1.2 billion in 2019G.

IT Managed and Operational Services represented around 24% in 2020G. IT managed and operational services increased by 41.1%, from SAR 1.2 billion in 2019G to SAR 1.6 billion in 2020G, mainly due to the increase in outsourcing and managed services.

Outsourcing Services

Outsourcing Services relates to providing support services, which mainly include labor, managed services or solutions support, and represented around 17% of total revenue, net between 2018G and 2019G. Net outsourcing services revenue increased by 30.9%, from SAR 690.2 million in 2018G to SAR 903.5 million in 2019G, mainly as a result of the increase in the B2B channel driven by large government contracts. Outsourcing services also includes management consulting and increased from SAR 3.3 million in 2018G to SAR 20.4 million in 2019G, as this product was introduced into the market in 2018G, most of which is generated through the sell-to-stc channel (around 70% in 2019G) and the sell-direct channel (around 30% in 2019G) and increased in 2019G as a result of the ramp up of this service.

Outsourcing Services represented around 18% of total revenue, net in 2020G. Outsourcing services revenue increased by 36.0%, from SAR 903.5 million in 2019G to SAR 1.2 billion in 2020G, as a result of the increase in the B2B channel driven by the increase in government contracts. Management consulting, included in outsourcing services, increased from SAR 20.4 million in 2019G to SAR 44.8 million in 2020G, most of which is generated through the sell-to-stc channel (around 79% in 2020G) and the sell-direct channel (around 21% in 2020G), and increased in 2020G as a result of the ramp up of this product.

Managed Services

Managed Services mainly relate to Managed Router Services (MRS), managed WIFI and managed LAN. Managed services revenue makes up around 4% of the total revenue, net between 2018G and 2019G. Managed services revenue increased by 54.1%, from SAR 163.4 million in 2018G to SAR 251.8 million in 2019G, mainly due to the increase in revenue within the B2B channel as a result of the increase in revenue generated from the government (around 77% of total managed services revenue in 2019G).

Managed Services represented around 6% of total revenue, net in 2020G. Managed Services revenue increased by 59.3%, from SAR 251.8 million in 2019G to SAR 401.2 million in 2020G, driven by the increase within the B2B channel as a result of the increase in revenue generated from the government (around 81% of total managed services in revenue in 2020G).

Digital Services (Segment Information)

Digital Services represented around 18.6% of total revenue, net over the period between 2018G and 2019G. Digital services for cloud, cyber security and digital increased by 83.6%, from SAR 621.9 million in 2018G to SAR 1.1 billion in 2019G.

Digital Services represented around 22% of total revenue, net in 2020G. Digital Services increased by 32.9%, from SAR 1.1 billion in 2019G to SAR 1.5 billion, in 2020G.

Cloud Services

Cloud Services provides a full spectrum of data center and cloud services including colocation, private and public cloud and cloud marketplace, and represented around 8% of total revenue, net throughout the period between 2018G and 2019G. Cloud Services revenue increased by 76.9%, from SAR 270.0 million in 2018G to SAR 477.6 million in 2019G, primarily as a result of having a higher customer reach, working with variety of partners and cross selling. Most cloud services revenue is categorized under the B2B channel (through stc), which made up around 97% of total cloud services revenue between 2018G and 2019G.

Cloud Services represented around 10% of total revenue, net in 2020G. Cloud Services revenue increased by 41.8% from SAR 477.6 million in 2019G to SAR 677.0 million in 2020G due to increased customer reach, working with a variety of partners and cross selling. Most cloud services revenue is categorized under the B2B channel (through stc), which made up around 99% of total revenue, net for cloud services between 2019G and 2020G.

Cybersecurity

Cybersecurity is a variously conceived comprehensive protection service mainly consisting of cybersecurity projects and Managed Security Operations Center (M-SOC) products, which represented around 8% of total revenue, net between 2018G and 2019G. Cybersecurity revenue increased by 39.6%, from SAR 308.1 million in 2018G to SAR 430.3 million in 2019G, driven by the increase in cybersecurity project revenue as the Group was able to secure more than 300 cybersecurity operations centers and red team services and more than 75 security service providers, along with compliance with the National Cyber Security Authority Regulations. Most cybersecurity services are sold to stc, comprising around 69% of total cybersecurity services revenue between 2018G and 2019G.

Cybersecurity represented around 8% of total revenue, net in 2020G. Cybersecurity revenue increased by 34.4%, from SAR 430.3 million in 2019G to SAR 578.4 million in 2020G, driven by the increase in cybersecurity project revenue as the Group was able to obtain over 300 cybersecurity certifications, hire more than 60 cybersecurity professionals and a specialized team for security operations centre and red team services, more than 75 security service providers along

with compliance with the National Cyber Security Authority Regulations. Most Cybersecurity services are sold to stc, comprising around 61% of total cybersecurity revenue between 2019G and 2020G.

Digital Services

Digital Services are used for understanding data to extract information that can be used in development by connecting, monitoring, and analyzing machines/devices for informed and effective business decisions. Digital Services revenue represented around 3% of total revenue, net throughout the period from 2018G to 2020G. Digital Services revenue increased by 433.3%, from SAR 43.9 million in 2018G to SAR 234.0 million in 2019G, mainly driven by the increase in digital services projects, Ingress Switched Port Analyzer "ISPAN" and fleet control, amongst others, as a result of the digital transformation initiatives in the government in which these entities dealt with the Group to provide them with the required products for such initiatives. An average of around 67% of total digital services (between 2018G and 2019G) are sold within the B2B channel.

Digital Services revenue represented around 4% of total revenue, net in 2020G. Digital Services increased by 12.1% from SAR 234.0 million in 2019G to SAR 262.4 million in 2020G driven by the increase in digital services projects, ISPAN and fleet control amongst others as a result of the digital transformation initiatives within the government. An average of around 86% of total digital services, between 2019G and 2020G, were sold within the B2B channel.

6-5-5 Cost of Revenue by Nature

Table (6-5): Cost of revenue by nature for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Direct costs:						
Hardware & software	1,304,160	1,659,894	1,747,639	27.3%	5.3%	15.8%
Outsourcing services	623,235	806,658	1,077,688	29.4%	33.6%	31.5%
Professional services	486,688	699,190	969,144	43.7%	38.6%	41.1%
Maintenance & supplies	99,704	252,469	480,612	153.2%	90.4%	119.6%
Training	45	5,602	2,943	12348.2%	(47.5%)	708.7%
Other costs/(income), net	27,585	48,757	(29,796)	76.7%	(161.1%)	na
Direct project costs	2,541,417	3,472,569	4,248,229	36.6%	22.3%	29.3%
Off-shelf cost	278,682	595,360	837,995	113.6%	40.8%	73.4%
Directs costs Off-shelf	278,682	595,360	837,995	113.6%	40.8%	73.4%
stc Pay cost of revenue	36	5,814	-	16166.0%	(100.0%)	(100.0%)
Direct cost subtotal	2,820,134	4,073,742	5,086,225	44.5%	24.9%	34.3%
Indirect costs:						
Personnel	210,038	251,934	262,669	19.9%	4.3%	11.8%
IT expenses	22,104	43,778	72,825	98.1%	66.3%	81.5%
Depreciation and amortization	23,975	40,597	47,728	69.3%	17.6%	41.1%
Indirect costs subtotal	256,117	336,309	383,222	31.3%	13.9%	22.3%
Total cost of revenue	3,076,252	4,410,052	5,469,447	43.4%	24.0%	33.3%
Revenue, net	4,041,299	5,257,296	6,891,419	30.1%	31.1%	30.6%
Direct costs	(2,820,134)	(4,073,742)	(5,086,225)	44.5%	24.9%	34.3%
Contribution profit	1,221,165	1,183,554	1,805,194	(3.1%)	52.5%	21.6%
Indirect costs	(256,117)	(336,309)	(383,222)	31.3%	13.9%	22.3%
Gross profit	965,047	847,245	1,421,972	(12.2%)	67.8%	21.4%
As a % of revenue, net						
Contribution profit margin	30.2%	22.5%	26.2%	(7.7)	3.7	(4.0)
Gross profit margin	23.9%	16.1%	20.7%	(7.8)	4.5	(3.3)

Source: Management information

Cost of revenue mainly consists of direct costs that are directly tied to the production of the goods and services being sold and indirect costs which include personnel, IT expenses, depreciation and amortization. Cost of revenue increased by 43.4%, from SAR 3.1 billion in 2018G to SAR 4.4 billion in 2019G.

Cost of revenue then increased by 24.0%, from SAR 4.4 billion in 2019G to 5.5 billion in 2020G.

Direct Costs

Hardware and Software

Hardware and software costs are mainly related to cost of routers, servers, cables and switches including VMware, Palo Alto and Microsoft. These costs are mainly related to all product/service lines. Hardware and software costs increased by 27.3%, from SAR 1.3 billion in 2018G to SAR 1.7 billion in 2019G, due to the growth in operations of the Group.

Hardware and software costs remained relatively stable at SAR 1.7 billion between 2019G and 2020G due to projects reaching a stage where the Company was providing more services upon delivery (as opposed to selling and installing hardware and software and incurring the related costs).

Outsourcing Services

Outsourcing mainly relates to the salaries and employee benefits of outsourcing services and does not include the costs of any other major service line. Outsourcing services costs increased by 294%, from SAR 623.2 million in 2018G to SAR 806.7 million in 2019G, due to other projects implemented by the Company as well as growth in operations and the average monthly cost per outsourced employee due to hiring Saudi staff, which resulted in slightly higher salary scales.

Outsourcing services costs increased by 33.6%, from SAR 806.7 million in 2019G to SAR 1.1 billion in 2020G, due to new outsourcing projects implemented by the Company in line with the growth in operations, coupled with the increase in average monthly cost per outsourced employee as a result of hiring highly qualified Saudi staff resulting in slightly higher salary scales.

Professional Services

Professional services mainly relate to installation, third party professional services and bundling, amongst others. Professional services costs are directly related to the delivery and installation fees for products sold to customers. As such, the increase from SAR 486.7 million in 2018G to SAR 699.2 million in 2019G is related to the number of projects that require delivery and installation services.

Professional services costs increased by 38.6%, from SAR 699.2 million in 2019G to SAR 969.1 million in 2020G, as a result of some projects experiencing a change in mix where more services are required as compared to 2019G (i.e., a shift to providing services as compared to software and hardware).

Maintenance and Supplies

Maintenance and supplies mainly relate to support provided to customers for software and licenses. Maintenance and supplies costs increased by 153.2%, from SAR 99.7 million in 2018G to SAR 252.5 million in 2019G, due to the growth in the Company's operations.

Maintenance and supplies costs increased by 90.4%, from SAR 252.5 million in 2019G to SAR 480.6 million in 2020G, in line with the increase in operations and the number of projects secured by the Group.

Training

Training costs are related to training based on customer requirements, and the cost incurred is mainly based on the actual deliverable. The increase from SAR 45 thousand in 2018G to SAR 5.6 million in 2019G is due to the increase in training provided to customer employees and performing the training performance obligation.

Training costs decreased by 47.5%, from SAR 5.6 million in 2019G to SAR 2.9 million in 2020G, as a result of the decrease in such trainings provided to customer staff according to the agreed scope of work (which differs from one contract to another) along with performing the training performance obligation.

Other costs (income), net

Other costs (income), net include pooled costs that are not attributable to a certain project and mainly include the inventory provision, rebates from suppliers (Cisco, Microsoft, Dell, etc.) and actuarial adjustments. Other costs (income), net increased from expenses of SAR 27.6 million in 2018G to expenses of SAR 48.8 million in 2019G driven by the increase in further inventory provisions/actuarial adjustments.

Other costs (income), net decreased from expenses of SAR 48.8 million in 2019G to an income of SAR 29.8 million in 2020G, due to the reversal of the cost due to rebates received from vendors, partially offset by actuarial adjustments.

Off-Shelf Cost

Off-shelf costs are mainly related to off-shelf products, which are standard products and services within the portfolio that can be sold without any customization of the product/service features or specifications. Such costs increased from SAR 278.7 million in 2018G to SAR 595.4 million in 2019G, primarily due to the growth in cloud services which was launched in 2017G and was in its ramp up phase. This was coupled with the increase in cost of VSAT services and the cost of DIA bandwidth and circuits, in addition to the application of CITC fees.

Off-shelf costs increased by 40.8%, from SAR 595.4 million in 2019G to SAR 838.0 million in 2020G, primarily due to the growth in cloud services which was in its ramp up phase.

stc Pay Cost of Revenue

stc Pay cost of revenue is related to the cost of revenue of stc pay (that was sold in 2019G).

Indirect Costs

Personnel

Personnel costs are mainly related to the employees involved in service provisioning (product management, operations and maintenance etc.) that are relatively fixed in nature. Personnel costs increased from SAR 210.0 million in 2018G to SAR 251.9 million in 2019G, mainly driven by the increase in the average headcount by 52 employees between 2018G and 2019G in line with the growth in the Company's operations.

Personnel cost increased from SAR 251.9 million in 2019G to SAR 262.7 million in 2020G, mainly driven by hiring highly qualified Saudi staff which resulted in a higher salary scale, as the Company recruits and develops Saudi talent through its internal Saudization programs, Tamheer and Futurist, and seeks to ensure their professional advancement at the Company.

IT Expenses

IT expenses mainly related to renewable operational licenses, tools, consumables, and other maintenance expenses involved in providing services to the end customer. IT expenses increased from SAR 22.1 million in 2018G to SAR 43.8 million in 2019G, mainly due to the increase in IT expenses related to an ICT provider in line with the growth in operations.

IT expenses increased from SAR 43.8 million in 2019G to SAR 72.8 million in 2020G, due to the increase in IT expenses related to an ICT provider in line with the growth in operations.

Depreciation and Amortization

Depreciation and amortization expenses are related to operational assets like equipment, routers, servers, storage, platforms and perpetual licenses that are involved in providing services to the end customer. Depreciation increased from SAR 18.0 million in 2018G to SAR 30.5 million in 2019G, in line with the increase in the Company's fixed assets. The increase in amortization from SAR 5.9 million in 2018G to SAR 10.0 million in 2019G was mainly due to the increase in intangible assets over the same period.

Depreciation further increased from SAR 30.5 million in 2019G to SAR 33.3 million in 2020G, mainly due to the increase in the Company's capital additions over the same period. Amortization expenses further increased from SAR 10.0 million in 2019G to SAR 14.4 million in 2020G in line with the increase in software over the same period.

Contribution Profit

Contribution profit (which is revenue less direct costs) slightly decreased by 3.1%, from SAR 1,211.2 million in 2018G to SAR 1,183.6 million in 2019G, primarily as a result of the decrease in the profitability of Communication and Internet and Cloud Services following the introduction of CITC charges in 2019G (a government fee of around 11% on Communication and Internet revenue levied mainly on DIA and VSAT, which amounted to SAR 115.9 million) and the overall decrease in system integration contribution profit due to the growth in licenses revenue which command lower margins.

Contribution profit increased by 52.5%, from SAR 1.2 million in 2019G to SAR 1.8 million in 2020G, primarily as a result of the increase in the profitability of Communication and Internet services, driven by the increase in demand for DIA and VSAT products due to lockdowns and remote working in 2020G.

Contribution Profit Margin

The contribution profit margin dropped from 30.2% in 2018G to 22.5% in 2019G as a result of Management's strategy to increase market share by offering competitive prices for new services (such as Cloud Services and Outsourcing

Services) and the introduction of regulatory charges (CITC charges) in Q4 2019G that mainly affect the products sold under the communication, internet and cloud service line. Management booked the CITC charges related to the full year of 2019G in December.

The contribution profit margin increased from 22.5% in 2019G to 26.2% in 2020G as a result of the increase in communication and internet service line revenue (against the ramp up of the VSAT services product in 2019G, which carries the highest margins under this service line) and the increase in DIA revenue, coupled with the decrease in hardware and software costs as a percentage of projects from 56.1% in 2019G to 50.2% in 2020G as more services were provided upon the delivery of projects (which did not require a high level of hardware and software costs).

Gross Profit

Gross profit decreased by 12.2%, from SAR 965.0 million in 2018G to SAR 847.2 million in 2019G, mainly in line with the decrease in contribution profit coupled with the increase in indirect costs.

Gross profit increased by 67.8%, from SAR 847.2 million in 2019G to SAR 1.4 billion in 2020G, mainly in line with the increase in contribution profit which was slightly offset by an increase in indirect costs.

Gross Profit Margin

Gross profit margin decreased from 23.9% in 2018G to 16.1% in 2019G as a result of the decrease in the contribution profit margin from 30.2% to 22.5% during the same period, coupled with the slight increase in indirect costs as a percentage of revenue, net as a result of the increase in personnel costs.

Gross profit margin increased from 16.1% in 2019G to 20.6% in 2020G as a result of the increase in contribution profit margin from 22.5% to 26.2% during the same period.

6-5-6 Gross Profit by Operating Segment

Table (6-6): Gross profit by operating segment for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Core ICT services	855,293	627,757	1,121,949	(26.6%)	78.7%	14.5%
IT Managed and Operational Services	80,144	157,527	251,695	96.6%	59.8%	77.2%
Digital services	29,610	61,961	48,328	109.3%	(22.0%)	27.8%
Gross profit	965,047	847,245	1,421,972	(12.2%)	67.8%	21.4%
As a % of total revenue, net*	ppt.					
Core ICT services	21.2%	11.9%	16.3%	(9.2)	4.3	(4.9)
IT Managed and Operational Services	2.0%	3.0%	3.7%	1.0	0.7	(1.07)
Digital services	0.7%	1.2%	0.7%	0.4	(0.5)	0.0
Gross profit margin	23.9%	16.1%	20.7%	(7.8)	4.5	(3.3)

Source: Management information

* Gross profit margin was calculated as a % of total revenue, net recorded in each year

Core ICT Services

Gross profit for core ICT services decreased by around 27% between 2018G and 2019G, mainly driven by providing competitive pricing (specifically under the system integration) in order to acquire a larger market share. The decrease in margin was also partially attributable to a higher inventory provision in 2019G, coupled with the application of CITC charges in 2019G amounting to around 11% of connectivity services revenue (SAR 85.1 million).

Gross profit for core ICT services increased by around 79% between 2019G and 2020G mainly driven by the increase in revenue recognized from communication and internet due to the increase in demand for DIA and VSAT products due to lockdowns and remote working. This was offset by the decrease in system integration gross profit mainly due to the discount provided in 2020G (SAR 199.1 million).

IT Managed and Operational Services

Gross profit for IT managed and operational services increased by around 97% between 2018G and 2019G mainly due to the increase in revenue, also boosted by the ramp up of management consulting which was introduced in late

2018G. The resulting product mix effect of bespoke (customized) and off shelf managed services also contributed to increasing the profitability margin to 3.0% in 2019G.

Gross profit for IT managed and operational services increased by around 60% between 2019G and 2020G mainly due to the increase in revenue, boosted by the ramp up of management consulting which was introduced in 2018G, coupled with the increase in government sector demand for Managed Router Services (MRS). Gross profit margin similarly increased from 3.0% in 2019G to 3.7% in 2020G.

Digital Services

Gross profit for digital services increased by 109.3% in 2019G, mainly due to the increase in revenue for cloud and IoT/Digital and security services, supplemented by a change in product mix, hence contributing higher margins overall. However, this was partially offset by the introduction of CITC fees on selected services of 11% in 2019G of SAR 2.9 million on cloud connectivity and cloud SMS services. In 2018G, the application of discount of SAR 17.2 million also contributed to the lower margins achieved in that year (for further information on the related risks, see Section 2.2.1 “Risks Related to Changes in the Regulatory Environment” of this Prospectus).

Gross profit for digital services decreased by 22.0%, from SAR 62.0 million in 2019G to SAR 48.3 million in 2020G, mainly due to the decrease in profitability of the fleet control product due to the increase in costs incurred under these products (which is connected to the additional cost incurred to improve service offers and centered around improving the bylaws and capacities) along with the change in the product mix under the digital services service line over the same period. Certain cybersecurity products under digital services are in the process of being carved out. The gross profit/loss effect of these cybersecurity products amounted to SAR 9.8 million, SAR -1.2 million and SAR 2.0 million in 2018G, 2019G and 2020G, respectively and represented 1.0%, -0.1% and 0.1%, of the Company’s total gross profit during the same period.

6-5-7 Selling and Distribution Expenses

Table (6-7): Selling and distribution expenses for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Employee-related costs	79,260	118,659	141,706	49.7%	19.4%	33.7%
Sales and marketing expenses	29,409	32,485	12,234	10.5%	(62.3%)	(35.5%)
IT expenses	146	1,521	3,179	941.4%	109.0%	366.6%
Business travel expenses	3,375	4,044	1,227	19.8%	(69.7%)	(39.7%)
Depreciation and amortization	732	756	378	3.3%	(50.0%)	(28.1%)
Others	96	132	393	37.7%	198.5%	102.8%
Total selling and distribution expenses	113,017	157,596	159,117	39.4%	1.0%	18.7%
Key performance indicators						
Average number of employees	153	187	195	22.2%	4.3%	12.9%
As a % of revenue, net				ppt.		
Employee-related costs	2.0%	2.3%	2.1%	0.3	(0.2)	0.1
Sales and marketing expenses	0.7%	0.6%	0.2%	(0.1)	(0.4)	(0.6)
IT expenses	0.0%	0.0%	0.0%	0.0	0.0	0.0
Business travel expenses	0.1%	0.1%	0.0%	(0.0)	(0.1)	(0.1)
Depreciation and amortization	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)
Others	0.0%	0.0%	0.0%	0.0	0.0	0.0
Total	2.8%	3.0%	2.4%	0.2	(0.7)	(0.6)

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G, except for percentages and number of employees from Management information

Selling and distribution expenses consist mainly of employee-related costs in addition to marketing and advertising expenses. Selling and distribution costs increased by 39.4%, from SAR 113.0 million in 2018G to SAR 157.6 million in 2019G. Selling and distribution expenses then increased by 1.0%, from SAR 157.6 million in 2019G to SAR 159.1 million in 2020G.

Employee-Related Costs

Employee-related costs pertain to the salaries and other benefits of pre-sales, technical sales and bid management employees. Employee-related costs increased by 49.7%, from SAR 79.3 million in 2018G to SAR 118.7 million in 2019G, mainly driven by the increase in the average number of employees from 153 employees to 187 employees coupled with the increase in average monthly cost per employee from SAR 43.1 thousand to SAR 52.8 thousand in line with the Company's strategic direction to increase the retention of current employees and to attract higher quality talent from the ICT market.

Employee-related costs increased by 19.4%, from SAR 118.7 million in 2019G to SAR 141.7 million in 2020G, mainly driven by the increase in the average number of employees from 187 employees to 195 employees coupled with the increase in average cost per employee from SAR 52.8 thousand to SAR 60.5 thousand aligned with the Company's strategic direction to increase the retention of current employees and to attract higher quality talent from the ICT market and as a result of hiring more senior level staff in 2020G.

Sales and Marketing Expenses

Sales and marketing expenses pertain to advertising, exhibitions and events expenses. Sales and marketing expenses increased by 10.5%, from SAR 29.4 million in 2018G to SAR 32.5 million in 2019G, driven by the growth in operations and the increase in the sales and marketing expenses of stc Pay.

Sales and marketing expenses decreased by 62.3%, from SAR 32.5 million in 2019G to SAR 12.2 million in 2020G, due to the disposal of stc Pay (which incurred SAR 13 million from the total sales and marketing expenses in 2019G).

IT Expenses

IT expenses are mainly related to the renewal and support of new software for opportunity and sales pipeline management. The Company's legacy system was replaced by a new system implemented in 2018G which resulted in no license renewal costs in the year of implementation, however, renewal costs followed in 2019G which resulted in an increase from SAR 146 thousand in 2018G to SAR 1.5 million in 2019G.

IT expenses increased by 109.0%, from SAR 1.5 million in 2019G to SAR 3.2 million in 2020G, due to the implementation, renewal and support of new software for opportunity and sales pipeline management.

Business Travel Expenses

Business travel expenses are mainly related to travel expenses such as hotels, accommodation, transportation and airfare for sales and technical sales staff. Business travel expenses increased by 19.8%, from SAR 3.4 million in 2018G to SAR 4.0 million in 2019G, due to growth in business across different segments, geography and verticals.

Business travel expenses decreased by 69.7%, from SAR 4.0 million in 2019G to SAR 1.2 million in 2020G, due to the decrease in travel as a result the airport lockdowns as a result of the COVID-19 pandemic.

Depreciation and Amortization

Depreciation and amortization represents the depreciation and amortization of fixed assets and system software used by sales, technical sales and bid management teams. Depreciation expenses remained relatively stable at an average of around SAR 735 thousand between 2018G and 2019G. Amortization expenses under selling and distribution are considered to be marginal and slightly increased from SAR 461 in 2018G to SAR 15 thousand in 2019G.

Depreciation expenses decreased from SAR 740.6 thousand in 2019G to SAR 274.1 thousand in 2020G as a result of the Company purchasing new fixed assets towards the end of 2020G, which resulted in a partial depreciation expense recorded for the year. Amortization expenses under selling and distribution are considered marginal and increased from SAR 15 thousand in 2019G to SAR 103.9 thousand in 2020G.

Other

The other expenses item mainly includes withholding tax; other expenses increased from SAR 96 thousand in 2018G to SAR 132 thousand in 2019G, in line with the growth in the Company's operations.

Other expenses increased by 198.5%, from SAR 132 thousand in 2019G to SAR 393 thousand in 2020G, in line with the growth in the Company's operations.

6-5-8 General and Administration Expenses

Table (6-8): General and administration expenses for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Employee-related costs	147,080	200,440	208,460	36.3%	4.0%	19.1%
Professional services	49,044	37,382	67,788	(23.8%)	81.3%	17.6%
Depreciation and amortization	16,959	50,851	56,962	199.9%	12.0%	83.3%
IT expenses	16,861	29,369	44,326	74.2%	50.9%	62.1%
Provision / (reversal of provision) for advances and against lease contracts	(2,345)	(8,747)	30,166	272.9%	(444.9%)	na
Office expenses	7,933	10,326	14,462	30.2%	40.1%	35.0%
Hospitality and corporate gatherings	7,132	10,989	13,314	54.1%	21.2%	36.6%
Rent expenses	15,787	1,524	10,560	(90.3%)	593.0%	(18.2%)
Business travel expenses	8,089	13,668	7,118	69.0%	(47.9%)	(6.2%)
Utilities expenses	1,084	1,438	1,601	32.7%	11.3%	21.5%
Others	2,561	2,906	4,976	13.5%	71.2%	39.4%
Total general and administration expenses	270,185	350,146	459,734	29.6%	31.3%	30.4%
Key performance indicators						
Average number of employees	247	307	327	24.3%	6.5%	15.1%
As a % of revenue, net						
Employee-related costs	3.6%	3.8%	3.0%	0.2	(0.8)	(0.6)
Professional services	1.2%	0.7%	1.0%	(0.5)	0.3	(0.2)
Depreciation and amortization	0.4%	1.0%	0.8%	0.5	(0.1)	0.4
IT expenses	0.4%	0.6%	0.6%	0.1	0.1	0.2
Provision / (reversal of provision) for advances and against lease contracts	(0.1%)	(0.2%)	0.4%	(0.1)	0.6	0.5
Office expenses	0.2%	0.2%	0.2%	0.0	0.0	0.0
Hospitality and corporate gatherings	0.2%	0.2%	0.2%	0.0	(0.0)	0.0
Rent expenses	0.4%	0.0%	0.2%	(0.4)	0.2	(0.2)
Business travel expenses	0.2%	0.3%	0.1%	0.1	(0.2)	(0.1)
Utilities expenses	0.0%	0.0%	0.0%	0.0	0.0	0.0
Others	0.1%	0.1%	0.1%	(0.0)	0.0	0.0
Total	6.7%	6.7%	6.7%	(0.0)	0.0	(0.0)

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G except for percentages and number of employees from Management information

General and administration expenses consist mainly of employee-related expenses, professional services, and depreciation and amortization. General and administration expenses increased by 29.6%, from SAR 270.2 million in 2018G to SAR 350.1 million in 2019G. General and administration expenses then increased by 31.3%, from SAR 350.1 million in 2019G to SAR 459.7 million in 2020G.

Employee-related costs

Employee-related costs pertain to the salaries and other benefits of administrative and management employees. Employee-related costs increased by 36.3%, from SAR 147.1 million in 2018G to SAR 200.4 million in 2019G, mainly driven by the increase in the average number of employees from 247 employees in 2018G to 307 employees in 2019G coupled with the increase in average monthly cost per employee from SAR 49.7 thousand in 2018G to SAR 54.4 thousand in 2019G throughout the same period as a result of the up-scaling of the compensation and incentives scheme in line with the newly introduced human capital transformation program.

Employee-related costs increased by 4.0%, from SAR 200.4 million in 2019G to SAR 208.5 million in 2020G, mainly due to an increase in the average number of employees from 307 employees in 2019G to 327 employees in 2020G. This was partially offset by a decrease in the average monthly cost per employee from SAR 54.4 thousand in 2019G to SAR 53.2 thousand in 2020G as a result of the Company hiring more junior positions.

Professional services

Professional services mainly include audit, consulting, and legal fees. Professional services decreased by 23.8%, from SAR 49.0 million in 2018G to SAR 37.4 million in 2019G, driven by the decrease in consulting fees of SAR 10.6 million as a result of not requiring consultants for IFRS implementation or governance risk and compliance set-up in 2019G.

Professional services increased by 81.3%, from SAR 37.4 million in 2019G to SAR 67.8 million in 2020G, driven by an increase in consulting fees which focused on assessing and improving internal procedures to boost the efficiency of the Company's operational structure.

Depreciation and amortization

Depreciation and amortization expenses represent depreciation and amortization of fixed assets and system software used by management and administrative employees. Depreciation expenses increased from SAR 9.9 million in 2018G to SAR 39.7 million in 2019G due to growth in operations, as the Company expanded its office premises in attempt to create a high-quality employee experience along with the depreciation of right of use assets in 2019G, in line with the implementation of IFRS 16 (adopted in 2019G). Amortization expenses increased from SAR 7.0 million in 2018G to SAR 11.8 million in 2019G due to increased software additions over the same period.

Depreciation expenses slightly increased from SAR 39.7 million in 2019G to SAR 40.6 million in 2020G due to additions of some assets (categorized under general and administrative) and right of use assets additions in 2019G and 2020G. Amortization expense increased from SAR 11.8 million in 2019G to SAR 17.1 million in 2020G mainly due to the increase in software additions over the same period.

IT expenses

IT expenses are mainly related to the renewal and support of new software for internal use. IT expenses increased by 74.2%, from SAR 16.9 million in 2018G to SAR 29.4 million in 2019G, due to the increase in workforce as a result of the expansion of operations.

IT expenses increased by 50.9%, from SAR 29.4 million in 2019G to SAR 44.3 million in 2020G, due to the increase in workforce as a result of the expansion of the Company's operations.

Provision / (reversal of provision) for advances and against lease contracts

Reversal of provision for advances and against lease contracts decreased by 272.9%, from SAR 2.3 million in 2018G to SAR 8.7 million in 2019G, due to the reversal of ITCC provisions (related to an office location) that were booked in 2016G.

Reversal of provision for advances and against lease contracts was SAR 8.7 million in 2019G as compared to provision for advances and against lease contracts of SAR 30.2 million in 2020G due to lease agreement disputes, as there is a pending case on a lease agreement awaiting ruling and the Company decided to book a precautionary provision (for further details on this case, see Section 12.11 "**Litigation and Claims**" of this Prospectus).

Office expenses

Office expenses include office supplies, postage and courier, security, cleaning and pantry. Office expenses increased by 30.2%, from SAR 7.9 million in 2018G to SAR 10.3 million in 2019G, due to the expansion of office space as headcount increased due to the growth in operations.

Office expenses increased by 40.1%, from SAR 10.3 million in 2019G to SAR 14.5 million in 2020G, in line with the increase in headcount following the growth in operations.

Hospitality and corporate gatherings

Hospitality and corporate gatherings mainly include expenses related to corporate gatherings, food, entertainment, hospitality, donations and gifts. Hospitality and corporate gathering expenses increased by 54.1%, from SAR 7.1 million in 2018G to SAR 11.0 million in 2019G, due to the increase in the number of employees.

Hospitality and corporate gathering expenses increased by 21.2%, from SAR 11.0 million in 2019G to SAR 13.3 million in 2020G, mainly due to a corporate event that took place in Q1 2020G.

Rent expenses

Rent expenses pertain to vehicle rent (in 2019G). Rent expenses decreased by 90.3%, from SAR 15.8 million in 2018G to SAR 1.5 million in 2019G, due to the capitalization of leases as right of use assets, in line with the implementation of IFRS16. Rent expenses of SAR 1.5 million in 2019G pertain to the rental of vehicles by the Group which are short term or low value leases and hence not considered as part of right of use assets.

Rent expenses increased by 593.0%, from SAR 1.5 million in 2019G to SAR 10.6 million in 2020G, which mainly relates to the rent of the warehouse as a result of a change in the accounting treatment in 2020G whereby warehouse (rent) services were expensed rather than categorized as right-of-use asset, as such rent expenses cover warehouse services and not rent of an identifiable asset.

Business travel expenses

Business travel expenses increased by 69.0%, from SAR 8.1 million in 2018G to SAR 13.7 million in 2019G, due to progressive growth in business and expansion in operations.

Business travel expenses decreased by 47.9%, from SAR 13.7 million in 2019G to SAR 7.1 million in 2020G, as a result of the current COVID-19 pandemic situation and airport lockdowns.

Utilities expenses

Utilities expenses mainly include electricity expenses. The increase from SAR 1.1 million in 2018G to SAR 14 million in 2019G is mainly related to the Company's electricity consumption.

Utilities expenses increased from SAR 14 million in 2019G to SAR 1.6 million in 2020G which mainly relates to the Company's electricity consumption.

Other

Other expenses mainly comprise withholding tax and miscellaneous expenses. Other expenses slightly increased from SAR 2.6 million in 2018G to SAR 2.9 million in 2019G due to the increase in withholding tax.

Other expenses increased from SAR 2.9 million in 2019G to SAR 5.0 million in 2020G in line with the growth in operations.

6-5-9 Impairment / (reversal of impairment) of accounts receivable and contract assets

Table (6-9): Impairment / (reversal of impairment) of accounts receivable and contract assets for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Impairment loss / (reversal of impairment) on accounts receivable	(4,365)	(326)	48,705	(92.5%)	(15040.2%)	na
Impairment loss / (reversal of impairment) on contract assets	13,886	(8,200)	(2,591)	(159.0%)	(68.4%)	na
Total	9,521	(8,526)	46,114	(1894%)	(640.9%)	120.1%

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G and Management information

Impairment of accounts receivable and contract assets pertains to impairment losses on contract assets and accounts receivable. The calculation of these from non-government customers is based on the ECL model in 2019G and 2018G while for government customers and stc, impairments/provisions are assessed by a committee on a quarterly basis. Accordingly, these charges were SAR 9.5 million in 2018G. In 2019G, the Company recorded reversal of impairment of SAR 8.5 million.

The Company incurred charges for impairment of accounts receivable and contract assets amounting to SAR 46.1 million in 2020G according to assumptions under the ECL model.

Impairment loss / (reversal of impairment) on accounts receivable

Information related to the calculation of allocations for impairment on accounts receivable (non-government sector, government sector or related agencies) is set out in the analysis of accounts receivable in Section 6.5.20 "Accounts Receivable" of this Prospectus. Impairment loss / (reversal of impairment) on accounts receivable pertain to provisions or reversal of provisions booked against accounts receivable. Reversal of impairment decreased by 92.5%, from (SAR 4.4) million in 2018G to (SAR 326) thousand in 2019G due to the reduction of reversals on provisions in 2019G as compared to 2018G.

Reversal of impairment on accounts receivable was (SAR 326) thousand in 2019G, compared to impairment loss of on accounts receivable of SAR 48.7 million in 2020G due to the decrease in accounts receivable as expected, following the adoption of ECL model.

Impairment loss / (reversal of impairment) on contract assets

Information related to the calculation of allocations for impairment on contract assets (non-government sector, government sector or related agencies) is set out in the analysis of contract assets in Section 6.5.22 “**Contract Assets**” of this Prospectus. Impairment loss / (reversal of impairment) on contract assets relates to provisions or reversal of provisions booked against contract assets. Impairment loss / (reversal of impairment) on contract assets decreased from SAR 13.9 million in 2018G to (SAR 8.2) million in 2019G due to the increase in reversals as the weighted average loss rates for 2018G were higher than those used in 2019G (to calculate the loss allowance).

Reversal of impairment on contract assets decreased by 68.4%, from (SAR 8.2) million in 2019G to (SAR 2.6) million in 2020G as a result of a reduction in the ECL rate (2019G: 7.6%, 2020G: 5.2%) and change in an unbilled private balance (31 December 2019G: SAR 113 million, 2020G: SAR 114 million).

6-5-10 Other (loss) / income

Table (6-10): Other (loss) / income for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Commission income	7,303	2,283	2,134	(68.7%)	(6.5%)	(45.9%)
Impairment loss property and equipment	(1,328)	-	(3,518)	N/A	N/A	62.8%
Foreign exchange loss	(333)	(40)	(953)	(88.0%)	2282.5%	692%
Others	-	(102)	2	N/A	(102%)	N/A
Total	5,642	2,141	(2,335)	(62.1%)	(2091%)	N/A

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Other (loss) / income primarily consists of commission income received by the Company for acting as an agent on a pass-through project and was offset by property and equipment impairment losses and foreign currency losses. Other income decreased by 62.1%, from SAR 5.6 million in 2018 to SAR 2.1 million in 2019G as a result of the decrease in commission income received by the Company for acting as an agent on a pass-through project upon commencement of the project (SAR 5.0 million). This was offset by a decrease in property and equipment impairment losses, from SAR 1,328 million in 2018G to nil in 2019G.

Other (loss) / income decreased by 2091% from income of SAR 2.1 million in 2019G to losses of SAR 2.3 million in 2020G, due mainly to increased property and equipment impairment losses from nil in 2019G to SAR 3.5 million in 2020G due to an impairment loss on property and equipment.

6-5-11 Gain from sale of a subsidiary

Gain from sale of a subsidiary pertains to the sale of Saudi Digital Payments Company (“stc Pay”) in 2019G, which was fully owned by the Company and was sold for SAR 100.0 million, while the net assets were valued at SAR 28.0 million, resulting in a gain of SAR 72.0 million in 2019G.

6-5-12 Finance (costs) / income, net

Table (6-11): Finance (costs) / income, net for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Income from Murabaha time deposits	30,320	15,556	1,639	(48.7%)	(89.5%)	(76.7%)
Finance charges on leases liabilities	-	(2,958)	(2,538)	n.a	(14.2%)	0.0%
Total financial (costs) / income, net	30,320	12,598	(899)	(58.5%)	(107.1%)	N/A
As a % of revenue, net						
Income from Murabaha time deposits	0.8%	0.3%	0.0%	(0.5)	(0.3)	(0.8)
Finance charges on leases liabilities	0.0%	(0.1%)	0.0%	(0.1)	0.0	(0.0)
Total	0.8%	0.2%	0.0%	(0.5)	(0.3)	(0.8)

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G and management information

Finance (costs) / income, net represents finance income from Murabaha time deposits and financing costs for lease liabilities. Finance / income, net decreased by 58.5%, from SAR 30.3 million 2018G to SAR 12.6 million in 2019G, as a result of the Company recovering a large portion of Murabaha time-deposits to finance working capital needs. Finance (costs) / income, net decreased by 1071%, from finance income of SAR 12.6 million in 2019G to a cost of SAR 0.9 million in 2020G as a result of financing costs incurred from right of use assets and a decrease in Murabaha returns.

Income from Murabaha time deposits

Information related to Murabaha time deposits and accounts is set out in the sections on Murabaha time deposits and accounts in the statement of financial position in Section 6.5.18 “Cash and Cash Equivalents” and Section 6.5.19 “Murabaha Time Deposits” of this Prospectus. Income from Murabaha time deposits relates to commission income against the Murabaha time deposit with various banks. Income from Murabaha time deposits decreased by 48.7%, from SAR 30.3 million in 2018G to SAR 15.6 million in 2019G, as a result of the Group encashing most of the Murabaha time-deposits in order to finance working capital needs.

Income from Murabaha time deposits decreased by 89.5% from SAR 15.6 million in 2019G to SAR 1.6 million in 2020G as a result of the decrease in average Murabaha deposits.

Finance charges on lease liabilities

Finance charges on lease liabilities increased from nil in 2018G to SAR 3.0 million in 2019G as a result of an increase in lease liabilities relating to right of use assets from nil as at 31 December 2018G to SAR 76.7 million as at 31 December 2019G in line with the implementation of IFRS 16 in 2019G.

Finance charges on lease liabilities decreased by 14.2%, from SAR 3.0 million in 2019G to SAR 2.5 million in 2020G, in line with the decrease in lease liabilities between 31 December 2019G and 31 December 2020G.

6-5-13 Zakat

Table (6-12): Zakat for the Financial Years Ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Opening balance as at 1 January	74,048	99,051	40,114
Charged during the year	51,831	40,933	51,978
Paid during the year	(26,829)	(99,870)	(38,951)
Balance as at 31 December	99,051	40,114	53,141

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

The Company is a subsidiary company fully owned by Saudi Telecommunications Company (the “Parent Company”). Pursuant to Ministerial Resolution No. 1005 dated 28/4/1428H (corresponding to 15 May 2007G), the Parent Company currently submits Zakat returns based on its consolidated financial statements and consolidated Zakat base and settles the Zakat liability accordingly. The Company’s share of Zakat for 2019G of SAR 40.9 million (SAR 51.8 million in 2018G) has been estimated based on the Company’s Zakat base and is charged to its consolidated statement of profit or loss. This estimation is adjusted proportionately by the consolidation impact, as applicable.

The Company’s share of Zakat for 2020G amounted to SAR 52.0 million, and is estimated based on the Company’s Zakat base and is charged to the consolidated statement of profit or loss and other comprehensive income.

The Parent Company has an open objection related to the assessment for FY08 and FY09, which is currently under review with the General Secretariat of Tax Committees (formerly the Appeal Committee). The Parent Company believes that this assessment will be settled without incurring any substantial obligations. The Parent Company also settled the assessment for FY14G and FY18G through a settlement with the Zakat, Tax and Customs Authority.

The Parent Company has received assessments for the years FY15 until FY17 from the Zakat, Tax and Customs Authority. The Parent Company has objected to these assessments, and they believe that the result of this objection will be in their favor and no material additional provisions are required. It should be noted that these objections do not affect the Company’s results of operations, given they are related to the Parent Company only.

Zakat charges fluctuated over the period between 2018G and 2020G in line with the Zakat base (for further details about information and events related to Zakat, please refer to the analysis of Zakat payable in Section 6.5.33 “Zakat Payable” of this Prospectus).

6-5-14 Net profit for the year

Net profit for the year decreased by 29.2%, from SAR 556.5 million in 2018G to SAR 393.8 million in 2019G, mainly due to the increase in cost of revenue and direct costs (by 44.5%, from SAR 2.8 billion in 2018G to SAR 4.1 billion in 2019G) driven by the overall growth in operations and the increase in number of projects secured. However, direct costs grew at a higher rate than revenue, resulting in an overall drop in contribution profit margins as a result of the drop in communication & internet and cloud services contribution profit margins due to the introduction of CITC charges government fees for communication, internet and cloud services– in 2019G (SAR 115.9 million in 2019G).

Net profit for the year increased by 78.2%, from SAR 393.8 million in 2019G to SAR 701.8 million in 2020G, mainly due to the increase in revenue, especially communication and internet (by 63.1%, from SAR 875.3 million in 2019G to SAR 1.4 billion in 2020G) against the increase in the VSAT product which was recently introduced in 2018G, coupled with the increase in revenue due to the increased demand for DIA. This was slightly offset by an increase in cost of revenue, net, primarily direct costs as a result of the increase in off-shelf, professional services, outsourcing and maintenance and supply costs and, to a lower extent, hardware and software costs as more services were provided upon the delivery of projects (which did not require higher hardware and software costs).

6-5-15 Other comprehensive income

Table (6-13): Other comprehensive income for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G	Variance 2018G-2019G	Variance 2019G-2020G	CAGR 2018G-2020G
Net profit for the year	556,455	393,825	701,796	(29.2%)	78.2%	12.3%
Other comprehensive (loss) / income						
Items that will not be reclassified subsequently to consolidated profit or loss						
Remeasurement of end of service indemnities	10,790	(2,378)	(35,271)	(122.0%)	1383.2%	na
Total comprehensive income for the year	567,245	391,447	666,524	(31.0%)	70.3%	8.4%

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Total comprehensive income includes net income and remeasurement of end of service indemnities

The Company grants end of service indemnities (a benefit plan) to its employees, observing the requirements of the Labor Law in the KSA. The benefit provided by this plan is a lump sum based on employees' final salaries and allowances and their cumulative years of service at the date of the termination of employment. The end of service indemnities recognized in the consolidated statement of financial position for the defined benefit end of service plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated periodically by qualified actuaries using the projected unit credit method.

Re-measurement amounts of actuarial gains and losses on the defined benefit obligation are recognized and reported within consolidated other comprehensive income / (loss) under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity. (For further details on information and events related to actuarial assumptions, see the section on the analysis of end of service indemnities in Section 6.5.36 "End-of-Service Indemnities" of this Prospectus.)

6-5-16 Consolidated Statement of Financial Position Data

Table (6-14): Consolidated Statement of Financial Position data as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Cash and cash equivalents	892,387	414,281	993,474
Murabaha time deposits	230,400	-	-
Accounts receivable	1,829,107	2,634,928	2,803,751
Prepayments and other assets	301,087	157,006	156,880
Contract assets	867,958	1,166,420	1,504,561
Inventories	140,297	150,654	112,369
Total current assets	4,261,236	4,523,290	5,571,035
Contract costs	22,558	6,217	6,642
Equity investments at fair value through other comprehensive income	50	-	-
Intangible assets	64,204	103,750	91,459
Property and equipment	102,002	166,715	593,559
Right-of-use assets	-	77,416	71,933
Total non-current assets	188,814	354,098	763,592
Total assets	4,450,049	4,877,388	6,334,628

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Accounts payable and accruals	1,236,168	1,458,275	1,973,953
Deferred revenue	987,925	1,426,626	1,704,986
Contract liabilities	335,776	452,254	336,035
Zakat payable	99,051	40,114	53,141
Total current liabilities	2,658,919	3,377,268	4,068,116
Lease liabilities	-	54,157	48,171
End of service indemnities	125,754	189,139	294,777
Total non-current liabilities	125,754	243,296	342,948
Total liabilities	2,784,673	3,620,564	4,411,063
Share capital	100,000	100,000	1,200,000
Statutory reserve	50,000	50,000	120,180
Other reserves	-	28,204	(6,851)
Retained earnings	1,515,377	1,078,620	610,236
Total equity	1,665,377	1,256,824	1,923,564
Total liabilities and equity	4,450,049	4,877,388	6,334,628
KPIs			
Current ratio	1.6	1.3	1.4
DSO (in days)	127	155	144
DPO (in days)	58	44	40
DIO (in days)	13	12	6
ROA	12.5%	8.1%	11.1%
ROE	33.4%	31.3%	36.5%

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G except for the KPIs from Management information

Assets

Current assets

Current assets increased from SAR 4.3 billion as at 31 December 2018G to SAR 4.5 billion as at 31 December 2019G due to an increase in accounts receivable from SAR 1.8 billion to SAR 2.6 billion mainly related to an increase in related party balances as a result of the growth in operations within the B2B channel along with the increase in contract assets from SAR 868.0 million at 31 December 2018G to SAR 1.2 billion at 31 December 2019G in line with the growth in operation and the slight delay in billings/approvals for works executed. This was partially offset by a decrease in cash and cash equivalents from SAR 892.4 million to SAR 414.3 million in order to fund working capital requirements and dividend distribution during the same period.

Current assets increased from SAR 4.5 billion as at 31 December 2019G to SAR 5.6 billion as at 31 December 2020G, mainly due to an increase in cash and cash equivalents from SAR 414.3 million to SAR 993.5 million over the same period as a result of an increase in collections from Related Parties which resulted in an increase in Murabaha time deposits. This increase was partially offset by the purchase of intangible assets, and property and equipments, coupled with an increase in contract assets from SAR 1.2 billion as at 31 December 2019G to SAR 1.5 billion at 31 December 2020G, due to the increase in operations as Management secured more projects.

Non-current assets

Non-current assets increased from SAR 188.8 million as at 31 December 2018G to SAR 354.1 million as at 31 December 2019G mainly due to an increase in right-of-use assets to SAR 77.4 million as at 31 December 2019G. This was due to the adoption of IFRS16 in 2019G, coupled with an increase in property and equipment from SAR 102.0 million to SAR 166.7 million over the same period as a result of expanding and opening new offices, coupled with additions to laptops in line with the increase in the Group's headcount.

Non-current assets increased from SAR 354.1 million as at 31 December 2019G to SAR 763.6 million as at 31 December 2020G mainly due to an increase in property and equipment from SAR 166.7 million as at 31 December 2019G to SAR 593.6 million as at 31 December 2020G as a result of capitalizing costs associated with developing a remote computing facility for a customer.

Liabilities and equity

Liabilities

Current liabilities

Current liabilities increased from SAR 2.7 billion as at 31 December 2018G to SAR 3.4 billion as at 31 December 2019G due to an increase in deferred revenue from SAR 987.9 million as at 31 December 2018G to SAR 1.4 billion as at 31 December 2019G in line with the continuous growth across all major product / service lines. This was coupled with an increase in accounts payable and accruals from SAR 1.2 billion as at 31 December 2018G to SAR 1.5 billion as at 31 December 2019G due to the increase in accrued project costs in line with the increase in operations and introduction of new services and products, as well as the introduction of connectivity charge fees of around 11% imposed by CITC in 2019G.

Current liabilities increased from SAR 3.4 billion as at 31 December 2019G to SAR 4.1 billion as at 31 December 2020G due to an increase in accounts payable and accruals from SAR 1.5 billion as at 31 December 2019G to SAR 2.0 billion as at 31 December 2020G. This mainly relates to the increase in trade payables in line with the significant increase in operations and the associated growth in hardware and software purchases due to the Group securing additional system integration and cloud services projects. This was slightly offset by a decrease in contract liabilities from SAR 452.3 million as at 31 December 2019G to SAR 336.0 million as at 31 December 2020G as the Group recognized the revenue associated with the contract liabilities and had limited advances over the same period.

Non-current liabilities

Non-current liabilities increased from SAR 125.8 million as at 31 December 2018G to SAR 243.3 million as at 31 December 2019G due to an increase in end of service indemnities from SAR 125.8 million as at 31 December 2018G to SAR 189.1 million as at 31 December 2019G as a result of the continuous increase in the number of employees. This was coupled with an increase in lease liabilities as a result of the adoption of IFRS16 in 2019G.

Non-current liabilities increased from SAR 243.3 million as at 31 December 2019G to SAR 342.9 as at 31 December 2020G due to an increase in end of service indemnities from SAR 189.1 million as at 31 December 2019G to SAR 294.8 million as at 31 December 2020G as a result of the increase in the average basic salary per employee over the same period. This was slightly offset by a decrease in lease liabilities relating to right of use assets driven by the amortisation of the balance over the same period.

Equity

Total equity decreased from SAR 1.7 billion as at 31 December 2018G to SAR 1.3 billion as at 31 December 2019G due to a decrease in retained earnings from SAR 1.5 billion as at 31 December 2018G to SAR 1.1 billion as at 31 December 2019G as a result of an increase in dividends paid that amounted to SAR 800.0 million in 2019G.

Total equity increased from SAR 1.3 billion as at 31 December 2019G to SAR 1.9 billion as at 31 December 2020G due to the transfer of the current year's net income to retained earnings (SAR 701.8 million in 2020G). Moreover, the share capital increased from SAR 100.0 million as at 31 December 2019G to SAR 1.2 billion as at 31 December 2020G as a result of the Board deciding to transfer the amount of SAR 1.1 billion from retained earnings to increase the Group's share capital. This was offset by a decrease in retained earnings from SAR 1.1 billion as at 31 December 2019G to SAR 610.3 million as at 31 December 2020G due to the increase in share capital through capitalization of retained earnings.

In accordance with the Saudi Companies Law and the Company's Bylaws, the Company must transfer 10% of its annual income to the statutory reserve, and pursuant to the Company's Bylaws, the Company may discontinue such transfer when the total reserve amounts to 30% of the capital. The statutory reserve is not available for distribution. Accordingly, the statutory reserve increased from SAR 50.0 million as at 31 December 2018G and 2019G to SAR 120.2 million as at 31 December 2020G, in line with the increase in the Company's capital in 2020G.

6-5-17 Current assets

Table (6-15): Current assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Cash and cash equivalents	892,387	414,281	993,474
Murabaha time deposits*	230,400	-	-
Accounts receivable	1,829,107	2,634,928	2,803,751
Prepayments and other assets	301,087	157,006	156,880
Contract assets	867,958	1,166,420	1,504,561

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Inventories	140,297	150,654	112,369
Total current assets	4,261,236	4,523,290	5,571,035

* Murabaha time deposits placed in this schedule mature in more than 90 days from the original placement date

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

6-5-18 Cash and cash equivalents

Table (6-16): Cash and cash equivalents as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Cash in hand	41	10	22
Bank balances	152,495	39,271	8,451
Murabaha time deposits*	739,850	375,000	985,000
Total	892,387	414,281	993,474

* Murabaha time deposits placed in this schedule mature in less than 90 days from the original placement date

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Cash and cash equivalents consist of cash in hand, bank balances and Murabaha time deposits (that mature in less than 90 days) from the original placement date.

Cash and cash equivalents decreased from SAR 892.4 million as at 31 December 2018G to SAR 414.3 million as at 31 December 2019G due an increase in net cash used in financing activities from SAR 300.0 million in 2018G to SAR 812.6 million in 2019G as a result of the increase in dividend payments from SAR 300 million in 2018G to SAR 800 million in 2019G in addition to working capital financing.

Cash and cash equivalents increased from SAR 414.3 million as at 31 December 2019G to SAR 993.5 million as at 31 December 2020G due to an increase in net cash generated from operating activities from SAR 282.5 million in 2019G to SAR 1.1 billion in 2020G as a result of the increase in collections along with the decrease in advances paid to suppliers in 2020G. This increase was offset by the purchase of intangible assets and property and equipment.

6-5-19 Murabaha Time Deposits

This is related to deposits with various banks and consists of Murabaha time deposits with maturities of more than 90 days. Murabaha time deposits decreased from SAR 230.4 million as at 31 December 2018G to nil as at 31 December 2019G and 2020G (encashing the whole position) to finance working capital requirements.

6-5-20 Accounts Receivable

Table (6-17): Accounts receivable as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Accounts receivable from a government agency	189,404	381,105	532,989
Accounts receivable from a non-government agency	94,383	156,469	280,296
Gross trade receivables (excluding Related Parties balance)	283,786	537,574	813,285
Less: allowance for expected credit losses	(54,419)	(64,524)	(74,797)
Net trade receivables	229,368	473,050	738,489
Gross amounts due from Related Parties	1,714,009	2,207,101	2,146,108
Less: allowance for discount (related party)	(58,616)	-	-
Less: allowance for expected credit losses against Related Party balances	(55,654)	(45,223)	(80,845)
Net amounts due from Related Parties	1,599,740	2,161,878	2,065,263
Total accounts receivable	1,829,107	2,634,928	2,803,751
DSO (in days)	127	155	144

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G except for DSO from Management information

Gross Trade Receivables

Gross trade receivables increased from SAR 283.8 million as at 31 December 2018G to SAR 537.6 million as at 31 December 2019G due to:

- 1- the increase in the government sector receivables balance from SAR 189.4 million as at 31 December 2018G to SAR 381.1 million as at 31 December 2019G, driven by the continuous increase and coverage of governmental customers; and
- 2- the increase in the non-government sector receivables balance from SAR 94.4 million as at 31 December 2018G to SAR 156.5 million as at 31 December 2019G, mainly due to the increase in operations with non-government customers.

Gross trade receivables increased from SAR 537.6 million as at 31 December 2019G to SAR 813.3 million as at 31 December 2020G due to:

- 1- the increase in the government sector receivables balance from SAR 381.1 million as at 31 December 2019G to SAR 533.0 million as at 31 December 2020G, driven by new projects secured with governmental entities; and
- 2- the increase in the non-government sector receivables balance from SAR 156.5 million as at 31 December 2019G to SAR 280.3 million as at 31 December 2020G, mainly due to securing several new projects.

Table (6-18): Movement in the allowance for expected credit losses related to trade receivables (excluding Related Parties) as at 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Opening balance	56,556	54,419	64,524
Charge (reversal) for the year	(2,137)	10,105	10,272
Closing balance	54,419	64,524	74,797

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

The Company applies IFRS 9 to all its customers. Expected credit losses for government receivables are based on quarterly reviews conducted by Management (through an internal committee comprised of the Finance Department and the Sales Department, whose role is to understand and determine the status of aged balances, review and assess the doubtful debt provision, and estimate and approve balances). However, for provisions relating to receivables from the non-government sector, allowances for expected credit losses are recognized against trade receivables between three months and one year based on estimated irrecoverable amounts determined by reference to the counterparty's past default experience and an analysis of the counterparty's current financial position. Allowance for expected credit losses related to trade receivables (excluding Related Parties) increased from SAR 54.4 million at 31 December 2018G to SAR 64.5 million as at 31 December 2019G due to the increase in balances outstanding for more than 180 days (from SAR 75.7 million as at 31 December 2018G to SAR 116.4 million as at 31 December 2019G) mainly from non-government customers.

Expected credit losses (excluding Related Parties) increased from SAR 64.5 million as at 31 December 2019G to SAR 74.8 million as at 31 December 2020G, due to a charge of SAR 10.3 million incurred in 2020G due to the increased accounts receivable balance (outstanding for more than 180 days, by SAR 59.1 million).

Table (6-19): Age of unimpaired trade receivables at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Non-governmental receivables			
Neither past due nor impaired	-	70,281	133,307
0 to 3 months	32,642	18,762	12,480
4 to 6 months	17,085	14,986	62,995
7 to 12 months	547	1,658	5,046
Over 1 year	7,301	6,155	11,192
Total non-governmental unimpaired receivables	57,575	111,841	225,019
Governmental receivables			
Neither past due nor impaired	127,046	234,911	269,979

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
0 to 3 months	9,075	21,912	53,336
4 to 6 months	8,861	44,623	80,707
7 to 12 months	3,211	39,917	73,608
Over 1 year	23,600	19,845	35,839
Total governmental unimpaired receivables	171,793	361,209	513,469
Total	229,368	473,050	738,489

Source: Management information and Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Non-governmental unimpaired receivables

Non-governmental unimpaired receivables include receivables from customers within the non-government sector. The increase in non-governmental unimpaired receivables from SAR 57.6 million as at 31 December 2018G to SAR 111.8 million as at 31 December 2019G is mainly due to the growth in revenue generated from customers within the non-government sector.

The increase in non-governmental unimpaired receivables from SAR 111.8 million as at 31 December 2019G to SAR 225.0 million as at 31 December 2020G mainly due to the growth in revenue generated from customers within the non-government sector coupled with the slight delay in payment due to the COVID-19 pandemic.

Governmental unimpaired receivables

Governmental unimpaired receivables mainly relate to receivables from customers within the Government sector. The increase in governmental unimpaired receivables from SAR 171.8 million as at 31 December 2018G and to SAR 361.2 million as at 31 December 2019G was mainly driven by the expansion and coverage of government customers.

The increase in governmental unimpaired receivables from SAR 361.2 million as at 31 December 2019G to SAR 513.5 million as at 31 December 2020G was mainly driven by the continuous expansion and coverage of government customers.

Table (6-20): Age of impaired trade receivables at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Non-governmental receivables			
0 to 3 months	6,148	11,070	11,511
4 to 6 months	6,986	4,252	10,861
7 to 12 months	1,026	2,806	4,359
Over 1 year	22,662	26,500	28,544
Total non-governmental impaired receivables	36,822	44,628	55,276
Governmental receivables			
0 to 3 months	-	-	2,346
4 to 6 months	44	184	60
7 to 12 months	1,725	856	1,074
Over 1 year	15,828	18,856	16,040
Total governmental impaired receivables	17,597	19,896	19,520
Total	54,419	64,524	74,797

Source: Management information and audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Non-governmental impaired receivables

Non-governmental impaired receivables relate to the provision booked for non-government sector receivables, which increased from SAR 36.8 million as at 31 December 2018G to SAR 44.6 million as at 31 December 2019G.

Non-governmental impaired receivables increased from SAR 44.6 million as at 31 December 2019G to SAR 55.3 million as at 31 December 2020G. For provisions relating to receivables from the private sector, allowances for doubtful debts are recognized against non-governmental receivables between three months and one year based on estimated irrecoverable amounts determined based on past defaults of the counterparty and an analysis of the counterparty's current financial position. The Company does not maintain any guarantees for impaired trade receivables.

Governmental Impaired Receivables

Governmental impaired receivables relate to provisions booked against receivables due from government entities. Governmental impaired receivables increased from SAR 17.6 million as at 31 December 2018G to SAR 19.9 million as at 31 December 2019G.

Governmental impaired receivables slightly decreased from SAR 19.9 million as at 31 December 2019G to SAR 19.5 million as at 31 December 2020G. Expected credit losses for government receivables are based on quarterly reviews conducted by Management to determine the balances that need specific provisions or write-offs. The Company does not maintain any guarantees for impaired trade receivables.

Gross amounts due from Related Parties

Gross amounts due from Related Parties increased from SAR 1.7 billion as at 31 December 2018G to SAR 2.2 billion as at 31 December 2019G, driven by the increase in revenue generated from direct sales to stc (+19.7%) and from sales through stc (+25.1%) over the same period. This increase was accompanied by a slowdown in collection from stc (from a DSO of 141 days in 2018G to 171 days in 2019G).

Despite the increase in revenue generated from stc (more than 17.5%) and through stc (more than 27.2%) between 2019G and 2020G, gross amounts due from Related Parties decreased from SAR 2.2 billion as at 31 December 2019G to SAR 2.1 billion as at 31 December 2020G, driven by the increase in collection from Related Parties reflected by the decrease in Related Parties DSO from an average of 171 days as of 31 December 2019G to 162 days as of 31 December 2020G.

Thus, receivables from Related Parties represented 85.8%, 80.4% and 72.5% of total receivables as of 31 December 2018G, 2019G and 2020G, respectively.

(For further information on age analysis of Related Parties receivables, see Section 6.5.37 "Related Party Transactions" of this Prospectus.)

6-5-21 Prepayments and Other Assets

Table (6-21): Prepayments and other assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Prepaid expenses, net*	65,802	42,360	38,720
Advances to suppliers, net**	141,677	79,619	17,667
Deposits	2,522	2,748	3,826
Other receivables***	91,086	32,279	96,667
Total	301,087	157,006	156,880

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

*Prepaid expenses, net are presented net of a provision for certain doubtful prepaid assets amounting to SAR 22.7 million at 31 December 2020G (SAR 22.7 million and SAR 31.0 million at 31 December 2019G and 31 December 2018G, respectively)

**Advances to suppliers, net are presented net of a provision for old advances amounting to SAR 9.4 million at 31 December 2020G (SAR 9.1 million and SAR 7.2 million at 31 December 2019G and 31 December 2018G, respectively)

*** Other receivables include due from Related Parties amounting to SAR 80.7 million as at 31 December 2020G, SAR 19.1 million as at 31 December 2019G and SAR 66.8 million as at 31 December 2018G

Prepayments and other assets mainly consist of advances to suppliers for hardware and software purchases, prepaid expenses (mostly rent and insurance), employee advances and VAT receivables.

Prepayments and other assets decreased from SAR 301.1 million as at 31 December 2018G to SAR 157.0 million as at 31 December 2019G as a result of the decrease in value added tax recoverable prior to year-end, coupled with a decrease in advances to suppliers due to the amortization of an advance payment.

Prepayments decreased slightly from SAR 157.0 million as at 31 December 2019G to SAR 156.8 million as at 31 December 2020G mainly due to a decrease in advances to suppliers, coupled with a decrease in prepaid expenses mainly as a result of a decrease in prepaid license and support.

Prepaid expenses

Prepaid expenses mainly include rent, licenses and subscription prepayments amongst others. Prepaid expenses, net decreased from SAR 65.8 million as at 31 December 2018G to SAR 42.4 million as at 31 December 2019G mainly due to the amortization of prepayments.

Prepaid expenses, net decreased from SAR 42.4 million as at 31 December 2019G to SAR 38.7 million as at 31 December 2020G mainly due to the decrease in prepaid licenses and support, coupled with the decrease in prepaid subscriptions due to the full amortization of such prepayments throughout the year.

Advances to suppliers, net

Advances to suppliers, net decreased from SAR 141.7 million as at 31 December 2018G to SAR 79.6 million as at 31 December 2019G mainly due to the amortization of the advance payment for the prior period.

Advances to suppliers, net decreased from SAR 79.6 million as at 31 December 2019G to SAR 17.7 million as at 31 December 2020G mainly due to the Group's new advance policy implemented by the supply chain department to limit prepayments in light of liquidity pressures resulting from COVID-19.

Deposits

Deposits mainly consist of refundable security deposits. Deposits slightly increased from SAR 2.5 million as at 31 December 2018G to SAR 2.7 million as at 31 December 2019G.

Deposits increased from SAR 2.7 million as at 31 December 2019G to SAR 3.8 million as at 31 December 2020G.

Other Receivables

Other receivables mainly consist of employee receivables, value added tax receivables, other non-trade receivables, advanced vacation salaries and receivables from Related Parties for the sale of cybersecurity assets. Other receivables decreased from SAR 91.1 million as at 31 December 2018G to SAR 32.3 million as at 31 December 2019G as a result of the decrease in value added tax recoverable from SAR 62.4 million as at 31 December 2018G to SAR 11.0 million at 31 December 2019G. This decrease was partially offset by the increase in employee receivables.

Other receivables increased from SAR 32.3 million as at 31 December 2019G to SAR 96.7 million as at 31 December 2020G as a result of the increase in other related party receivables following the disposal of some cybersecurity assets.

6-5-22 Contract Assets

Table (6-22): Contract Assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Contract assets under sell-to-stc	296,635	282,608	314,775
Contract assets under sell-to-B2B	636,039	865,073	1,079,651
Other contract assets*	(6,584)	27,287	116,093
Total contract assets	926,090	1,174,968	1,510,519
Provision for discount	(41,384)	-	-
Allowance for impairment	(16,748)	(8,548)	(5,957)
Net contract assets	867,958	1,166,420	1,504,561
As a % of net contract assets			
Contract assets under sell-to-stc	34.2%	24.2%	20.9%
Contract assets under sell-to-B2B	73.3%	74.2%	71.7%
Other contract assets*	(0.8%)	2.4%	7.7%

* Other contract assets that are not classified by channel

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G and Management information

Contract assets represent the value of work executed by the Group during the year which has not been billed to customers (i.e. approval or certificate of completion remains pending from customers).

Gross contract assets increased from SAR 926.1 million as at 31 December 2018G to SAR 1.2 billion as at 31 December 2019G largely driven by the increase in system integration under the sell-to B2B channel in line with the increase in revenue generated from this service.

Gross contract assets increased from SAR 1.2 billion as at 31 December 2019G to SAR 1.5 billion as at 31 December 2020G due to the increase in operations witnessed primarily in communication and internet services under the sell-to-B2B channel and across all other services.

Table (6-23): Age of total contract assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Contract asset balances under the sell-to-stc channel			
0 to 3 months	235,036	204,193	188,430
4 to 6 months	36,769	50,383	85,925
7 to 12 months	19,322	27,471	36,154
Over 1 year	5,508	561	4,267
Total contract asset balances under the sell-to-stc channel	296,635	282,608	314,775
Contract assets under the sell-to-B2B channel			
0 to 3 months	270,684	356,671	385,377
4 to 6 months	126,829	219,183	262,653
7 to 12 months	127,251	143,240	241,982
Over 1 year	111,275	145,979	189,639
Total contract assets under the sell-to-B2B channel	636,039	865,073	1,079,651
Other contract assets*	(6,584)	27,287	116,093
Total contract assets	926,090	1,174,968	1,510,519

* Other contract assets were not categorized by channel or age

Source: Management information

Net contract assets amounted to SAR 1.5 billion, SAR 1.2 billion and SAR 868 million as at 31 December 2020G, 2019G and 2018G, respectively, which constituted approximately 23.8%, 23.9% and 19.5% of the Company's total assets as at 31 December 2020G, 2019G and 2018G, respectively. The number of days between revenue recognition and maturity of payments for project contract assets amounted to less than 90 days for amounts of approximately SAR 573.8 million, 90 to 365 days for amounts of approximately SAR 626.7 million, and over 365 days for amounts of approximately SAR 193.9 million as of 31 December 2020G.

Contract asset balances under the sell-to-B2B channel represented SAR 1.1 billion as of 31 December 2020G, equivalent to 71.5% of total contract assets. Unbilled balances under the sell-to-B2B channel for more than 180 days (from 7 to 12 months and more than a year) represented 28.6% of total contract assets as of 31 December 2020G.

Contract asset balances under the sell-to-stc channel represented SAR 314.8 million as of 31 December 2020G, equivalent to 20.8% of the total contract assets. Unbilled balances under the sell-to-stc channel for more than 180 days (from 7 to 12 months and more than a year) represented 2.7% of total contract assets as of 31 December 2020G.

Table (6-24): Movement of the allowance for impairment related to contract assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Opening balance as at 1 January	2,862	16,748	8,548
(Reversal)/charge for the year	13,886	(8,200)	(2,591)
Closing balance as at 31 December	16,748	8,548	5,957

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

The allowance for impairment related to contract assets decreased from SAR 16.7 million as at 31 December 2018G to SAR 8.5 million as at 31 December 2019G.

The allowance for impairment related to contract assets decreased from SAR 8.5 million as at 31 December 2019G to SAR 6.0 million as at 31 December 2020G. Allowances for impairment related to contract assets are only taken against contract assets related to third party customers (i.e. no provisions were made against contract assets for projects with and/or through stc). For Related Party contract assets, a monthly assessment for contract assets aged above 1 year is conducted. If there is any doubt on the recoverability for such balances above 1 year, the Group will either reverse the contract assets or book the necessary provisions.

6-5-23 Inventories

Table (6-25): Inventories as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Materials and supplies	168,166	210,644	180,451
Less: allowance for slow moving and obsolete inventory	(27,869)	(59,990)	(68,082)
Total inventories	140,297	150,654	112,369

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Inventories consist of materials and supplies used for the Group's projects which are held at the lower of cost or net realizable value. Gross inventory increased from SAR 168.2 million as at 31 December 2018G to SAR 210.6 million as at 31 December 2019G, primarily to support the continuous growth in operations.

Gross inventory decreased from SAR 210.6 million as at 31 December 2019G to SAR 180.5 million as at 31 December 2020G, mainly due to the increase in inventory stock consumption during 2020G.

Table (6-26): Movement of the allowance for slow moving and obsolete inventories as at 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Opening balance as at 1 January	32,311	27,869	59,990
(Reversal)/charge for the year	(4,443)	32,121	8,092
Closing balance as at 31 December	27,868	59,990	68,082

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

The allowance for slow moving and obsolete inventories increased from SAR 27.9 million as at 31 December 2018G to SAR 60.0 million as at 31 December 2019G due to the increase in impairment charges following the increase in the aged inventory balances (those aged over 6 months).

The allowance for slow moving inventory increased from SAR 60.0 million as at 31 December 2019G to SAR 68.1 million as at 31 December 2020G mainly due to the Group fully providing for inventory that is aged over one year in 2020G.

6-5-24 Non-current assets

Table (6-27): Non-current assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Contract costs	22,558	6,217	6,642
Equity investments at fair value through other comprehensive income	50	-	-
Intangible assets	64,204	103,750	91,459
Property and equipment	102,002	166,715	593,559
Right-of-use assets	-	77,416	71,933
Total non-current assets	188,814	354,098	763,592

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

6-5-25 Contract costs

Contract costs represent costs incurred to fulfill a contract before the product or service is provided to a customer. Contract costs decreased from SAR 22.6 million as at 31 December 2018G and to SAR 6.2 million as at 31 December 2019G due to the amortization of this balance.

Contract costs remained relatively stable at an average of SAR 6.4 million as at 31 December 2019G and 31 December 2020G due to minor additions partially offset by the amortization charged.

6-5-26 Equity investments at fair value through other comprehensive income

Table (6-28): Equity investments at fair value through other comprehensive income as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
5% holding in Saudi Telecom Commercial Investment Company Limited (engaged in telecommunications services)*	50	-	-
Total equity investments at fair value through other comprehensive income	50	-	-

Source: Audited consolidated financial consolidated statements for the financial years 2018G, 2019G and 2020G

*This investment is carried at cost, as the fair value cannot be reliably determined.

Equity investments at fair value through other comprehensive income were solely related to the 5% holding in Saudi Telecom Commercial Investment Company Limited amounting to SAR 50 thousand at 31 December 2018G. This investment has been disposed of to the Parent Company at cost.

The Company owns an investment of 1% in Sapphire Company (works in IT), it was established in the Kingdom of Saudi Arabia in June 2014G. Sapphire Company is undergoing liquidation and the legal proceedings of the liquidation are still in process as at 31 December 2020G. Accordingly, the Group has recognized 100% impairment on this investment, the value of which was SAR 1 million.

6-5-27 Intangible assets

Table (6-29): Intangible assets as at 31 December 2018G, 2019G and 2020G

SAR in 000s	Software	Capital work-in-progress	Total
Cost			
At 1 January 2018G	52,230	1,052	53,281
Additions	7,100	35,791	42,890
Transfer	22,701	(22,701)	-
As at 31 December 2018G	82,030	14,141	96,172
Additions	17,525	56,940	74,465
Transfer	34,431	(34,431)	-
Disposal of subsidiary's assets	(632)	(13,442)	(14,073)
As at 31 December 2019G	133,355	23,208	156,564
Additions	11,561	13,236	24,797
Disposal	(10,118)	-	(10,118)
Transfers	31,692	(31,692)	-
As at 31 December 2020G	166,490	4,753	171,243
Accumulated amortization			
At 1 January 2018G	19,003	-	19,003
Amortization	12,964	-	12,964
As at 31 December 2018G	31,968	-	31,968
Amortization	21,244	-	21,244
Disposal of subsidiary's assets	(398)	-	(398)
As at 31 December 2019G	52,813	-	52,813
Amortization	30,898	-	30,898
Disposal	(3,928)	-	(3,928)
As at 31 December 2020G	79,784	-	79,784

SAR in 000s	Software	Capital work-in-progress	Total
Net book value			
At 1 January 2018G	33,226	1,052	34,278
At 31 December 2018G	50,063	14,141	64,204
At 31 December 2019G	80,542	23,208	103,750
At 31 December 2020G	86,706	4,753	91,459

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Intangible assets primarily relate to computer software and licenses and are acquired and recorded at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each financial year. Intangible assets, which consist of computer software, are amortized over a period of 5 years.

Software

Software increased from SAR 50.1 million as at 31 December 2018G to SAR 80.5 million as at 31 December 2019G due to the increase in additions and transfers (from capital work-in-progress), mainly driven by the subscription to new software applications to support business expansion and the growth in "system integration" license projects during 2019G, which was partially offset by the transfer of stc Pay ownership from the Group to stc (-SAR 13.7 million) and the amortization charges over the year.

Software increased from SAR 80.5 million as at 31 December 2019G to SAR 86.7 million as at 31 December 2020G due to the increase in additions and transfers (from capital work-in-progress) to support business expansion and growth in the different lines of service. This was partially offset by disposals of SAR 6.2 million for software used within the cybersecurity business unit for off-shelf products, as certain cybersecurity products were carved out in 2020G.

Capital work-in-progress

Intangible assets included capital work-in-progress balances, which represented costs incurred to acquire/develop software, which are recorded at cost until the software is ready for use and is then transferred to software and charged with amortization. Accordingly, capital work-in-progress amounted to SAR 14.1 million as at 31 December 2018G and SAR 23.2 million as at 31 December 2019G.

Capital work-in-progress decreased from SAR 23.2 million as at 31 December 2019G to SAR 4.8 million as at 31 December 2020G due to transfers to software.

6-5-28 Property and equipment

Table (6-30): Property and equipment as at 31 December 2018G, 2019G and 2020G

SAR in 000s	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work-in-progress	Total
Cost						
Balance at 1 January 2018G	80,411	24,081	14,923	424	14,936	134,775
Additions	9,407	2,000	7,655	822	70,566	90,449
Transfer	42,265	11,382	17,778	-	(71,424)	-
Balance as at 31 December 2018G	132,083	37,462	40,357	1,246	14,077	225,225
Additions	36,576	10,980	4,494	-	73,525	125,575
Transfer	47,752	13,919	11,792	478	(73,941)	-
Disposal	(400)	(2,922)	-	-	-	(3,322)
Disposal of subsidiary's assets	(1,651)	(3,305)	(3,200)	(301)	-	(8,458)
Balance as at 31 December 2019G	214,359	56,135	53,443	1,423	13,661	339,020
Additions	24,853	11,143	2,867	690	471,649	511,203

SAR in 000s	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work-in-progress	Total
Transfer	54,475	1,392	8,738	-	(64,606)	-
Disposal	(38,024)	(3,139)	(1,526)	-	-	(42,689)
Balance as at 31 December 2020G	255,664	65,531	63,522	2,112	420,705	807,534
Accumulated depreciation and impairment						
Balance at 1 January 2018G	61,016	21,722	10,136	318	-	93,193
Depreciation and impairment charge	21,852	3,599	4,384	194	-	30,030
Balance as at 31 December 2018G	82,869	25,321	14,520	512	-	123,223
Depreciation and impairment charge	39,801	6,766	7,052	287	-	53,906
Disposal	(396)	(2,831)	-	-	-	(3,227)
Disposal of subsidiary's assets	(324)	(639)	(561)	(74)	-	(1,598)
Balance as at 31 December 2019G	121,950	28,618	21,011	725	-	172,305
Depreciation and impairment charge	36,489	10,070	12,071	285	-	58,915
Disposal	(15,954)	(858)	(432)	-	-	(17,245)
Balance as at 31 December 2020G	142,485	37,830	32,650	1,010	-	213,975
Net book value						
As at 1 January 2018G	19,395	2,359	4,787	106	14,936	41,583
As at 31 December 2018G	49,214	12,141	25,837	733	14,077	102,002
As at 31 December 2019G	92,409	27,517	32,431	697	13,661	166,715
As at 31 December 2020G	113,179	27,701	30,872	1,102	420,705	593,559

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Property and equipment is stated at cost less accumulated depreciation and impairment losses (if any) and is depreciated on a straight-line basis for all fixed asset categories.

Computer hardware

Computer hardware mainly consists of laptops (which are replaced every 3 years in accordance with the Group's policy), computer servers, data centers, communication tools, amongst others. Computer hardware increased from a net book value of SAR 49.2 million as at 31 December 2018G to SAR 92.4 million as at 31 December 2019G mainly due to new hardware additions in connection with newly renovated offices as well as hardware associated with cybersecurity projects, coupled with the increase in laptops in line with the increase in the number of employees in the Company.

Computer hardware increased from a net book value of SAR 92.4 million as at 31 December 2019G to SAR 113.2 million as at 31 December 2020G. This was mainly due to additions related to hardware investments relating to cloud and digital platforms and network and connectivity, in addition to an increase in the number of laptops over the same period in line with the continuous growth in headcount coupled with transfers of SAR 54.5 million from capital work in progress, and partially offset by disposals of SAR 38.0 million following the carve out of certain cybersecurity products in 2020G. The Company also reviewed and amended the useful life of computer hardware from three years to five years in 2020G.

Furniture and office equipment

Furniture and office equipment mainly relates to office desks, chairs, tables, cabinets, sofas and other office equipment. Furniture and office equipment increased from a net book value of SAR 12.1 million as at 31 December 2018G to SAR 27.5 million as at 31 December 2019G mainly driven by new furniture procured for existing as well as new offices.

Furniture and office equipment increased from a net book value of SAR 27.5 million as at 31 December 2019 to SAR 27.7 million as at 31 December 2020G mainly driven by additions related to redecorations of offices across numerous branches. The Company also reviewed and amended the useful life of generators classified under furniture and office equipment from five years to 20 years in 2020G.

Leasehold improvements

Leasehold improvements mainly relate to civil works and construction performed on leased buildings and offices. Leasehold improvements increased from a net book value of SAR 25.8 million as at 31 December 2018G to SAR 32.4 million as at 31 December 2019G mainly due to additional fittings and interior design initiatives conducted across numerous of the Group's existing and new offices.

Leasehold improvements decreased from a net book value of SAR 32.4 million as at 31 December 2019G to SAR 30.9 million as at 31 December 2020G mainly due to the increase in disposals along with the increase in depreciation.

Motor vehicles

Motor vehicles are mainly related to company-owned cars and vehicles utilized by the Group's Executive Management. Motor vehicles slightly decreased from SAR 733 thousand as at 31 December 2018G to SAR 697 thousand as at 31 December 2019G mainly due to the straight-line depreciation of motor vehicles and no additions to motor vehicles during 2019G.

Motor vehicles increased from a net book value of SAR 697 thousand as at 31 December 2019G to SAR 1.1 million as at 31 December 2020G mainly due to additions of SAR 690 thousand, which relates to vehicles for business use.

Capital work-in-progress

Capital work-in-progress represented capital expenditures incurred for the purchase of fixed assets and other civil works and is carried at cost until the corresponding assets are ready for use. These assets are then transferred to the appropriate fixed asset category and depreciated in accordance with the Group's accounting policies. Accordingly, capital work-in-progress amounted to SAR 14.1 million as at 31 December 2018G and SAR 13.7 million as at 31 December 2019G.

Capital work-in-progress increased from a net book value of SAR 13.7 million as at 31 December 2019G to SAR 420.7 million as at 31 December 2020G, due to additions related to a customer data centre, mainly as a result of engaging in a project to build and operate a remote computing facility (super computer) for a customer.

6-5-29 Right-of-use assets

Table (6-31): Right-of-use assets as at 31 December 2019G and 2020G

SAR in 000s	Land and buildings	Vehicles	Total
Balance as at 1 January 2019G	76,463	1,713	78,176
Additions (net)	16,293	-	16,293
Depreciation charge	(16,183)	(871)	(17,053)
Balance as at 31 December 2019G	76,573	843	77,416
Additions (net)	13,289	-	13,289
Depreciation charge	(18,044)	(728)	(18,772)
Balance as at 31 December 2020G	71,819	114	71,933

Source: Audited consolidated financial statements for the financial year 2019G and 2020G

Right-of-use assets mainly relate to leases for 63 offices predominantly located in Riyadh (around 95%), followed by Jeddah (around 3%) and Khobar (around 2%), in addition to 11 leased vehicles. The balance relates to the right-of-use of operating leases in compliance with the IFRS16 effective for annual reporting periods beginning on or after 1 January 2019G. Accordingly, right-of-use assets amounted to SAR 77.4 million as at 31 December 2019G.

Right-of-use assets decreased from SAR 77.4 million as at 31 December 2019G to SAR 71.9 million as at 31 December 2020G due to depreciation charges coupled with lower additions during the year.

6-5-30 Current Liabilities

Table (6-32): Current liabilities as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Accounts payable and accruals	1,236,168	1,458,275	1,973,953
Deferred revenue	987,925	1,426,626	1,704,986
Contract liabilities	335,776	452,254	336,035
Zakat payable	99,051	40,114	53,141
Total current liabilities	2,658,919	3,377,268	4,068,116

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Table (6-33): Accounts payable and accruals as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Trade payables*	595,519	367,289	653,071
Accrued project costs**	362,951	570,081	425,118
Accrued expenses***	230,213	319,964	499,083
Accrued connectivity charges	-	115,855	239,657
Amounts due to Related Parties	45,442	60,593	114,943
Lease liabilities	-	22,517	40,104
Withholding tax provision	2,041	1,976	1,977
Total	1,236,168	1,458,275	1,973,953

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

*The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

**During the year ended 31 December 2020G, there have not been any reversals (31 December 2019G SAR 6.3 million and 31 December 2018G SAR 30.0 million). The reversals made in previous periods are mainly related to accrued project costs, which have been charged to cost of revenue. These reversals are primarily due to the difference between the estimated project accruals and the actual costs incurred or expected to be incurred upon completion.

*** Accrued expenses include due to stc amounting to SAR 108.1 million as at 31 December 2020G, SAR 40.7 million as at 31 December 2019G and SAR 25.2 million.

Accounts payable and accruals increased from SAR 1.2 billion as at 31 December 2018G to SAR 1.5 billion as at 31 December 2019G mainly due to the increase in accrued project costs in line with the overall increase in the number of projects, coupled with the increase in accrued staff costs following the expansion of operations and the increase in the number of employees.

Accounts payable and accruals increased from SAR 1.5 billion as at 31 December 2019G to SAR 2.0 billion as at 31 December 2020G mainly due to the increase in trade payables, due to additional purchases during 2020G, coupled with the increase in accrued expenses mainly due to an increase in other accruals.

Trade Payables

Trade payables mainly relate to hardware and software suppliers. Trade payables decreased from SAR 595.5 million as at 31 December 2018G to SAR 367.3 million as at 31 December 2019G as the Group had previously purchased most supplies at year-end and resorted to purchasing supplies throughout the year thus settling the majority of the balance prior to year-end.

Trade payables increased from SAR 367.3 million as at 31 December 2019G to SAR 653.1 million as at 31 December 2020G due to additional purchases during 2020G from the Group's top suppliers.

Accrued Project Costs

Accrued project costs mainly relate to the cost incurred on the Group's projects while performing the services requested by customers for which the Company has not yet been paid. Accrued project costs increased from SAR 363.0 million as at 31 December 2018G to SAR 570.1 million as at 31 December 2019G driven by the overall increase in the number of projects and service offerings (primarily from cybersecurity projects).

Accrued project costs decreased from SAR 570.1 million as at 31 December 2019G to SAR 425.1 million as at 31 December 2020G as a result of the Group receiving more invoices from suppliers at year-end 2020G.

Accrued Expenses

Accrued expenses mainly consist of accrued staff costs (annual leave, salaries and performance incentives amounting to SAR 105.1 million, SAR 151.4 million and SAR 179.8 million as of 31 December 2018G, 2019G and 2020G respectively, air fare, GOSI, medical insurance, etc.) and other accrued expenses associated with data circuits, bandwidth and SMS cost. Accrued expenses increased from SAR 230.2 million as at 31 December 2018G to SAR 320.0 million as at 31 December 2019G driven by the progressive growth in staff accruals in line with the Management's implementation of a new performance incentive policy and the growth in headcount, coupled with accruals related to data circuits, which are used to provide internet services to customers.

Accrued expenses increased from SAR 320.0 million as at 31 December 2019G to SAR 499.1 million as at 31 December 2020G driven by an increase in other accruals, due to the increase in insurance, higher staff accruals in line with the increase in average salary per employee coupled with a higher accruals related to data circuits, which are used to provide internet services to customers.

Accrued Connectivity Charges

Accrued connectivity charges are mainly related to a CITC government fee imposed on the Company in 2019G for certain communication, internet and cloud services related to DIA and satellite communications services (VSAT), representing around 11% of revenue generated from those streams. stc collects such charges and subsequently pays them to CITC. Accrued connectivity charges amounted to SAR nil as of 31 December 2018G, as the fees became effective in FY19 Q4. Accrued connectivity charges amounted to SAR 115.9 million as at 31 December 2019G and SAR 239.7 million as at 31 December 2020G in line with the introduction of CITC charges (for the full year of 2019G). According to Council of Ministers Resolution No. 196 dated 4/4/1440H, the financial consideration charged by the Government is imposed on operators for delivery of commercial telecommunications services in the Kingdom.

In previous years (2019G and 2020G), a statement of the net telecommunications revenue (NTA) base was submitted by stc on its behalf and on behalf of its subsidiaries, which in turn charges the subsidiaries based on their respective share according to their revenues from the licensed telecom services, less deductible costs.

Starting from the year 2021G, pursuant to CITC regulations on the NTA base for licensed service providers, the subsidiaries of joint stock companies will submit the NTA base separately from stc, on a quarterly basis. The provisions related to the financial consideration for delivery of commercial telecommunications services have been set aside for the Company's share of the financial consideration for 2019G and 2020G, as previously discussed. A claim will be received from stc and accordingly the Arabian Internet and Communication Services Company will pay it to stc.

Amounts Due to Related Parties

Amounts due to Related Parties mainly relates to payables to stc for purchases of connectivity and other products, which are provided to the Group on an arm's length basis. The balance increased from SAR 45.4 million as at 31 December 2018G to SAR 60.6 million as at 31 December 2019G driven by the continuous increase in revenue which led to an increase in purchases from stc.

Amounts due to Related Parties increased from SAR 60.6 million as at 31 December 2019G to SAR 114.9 million as at 31 December 2020G in line with the growth in connectivity revenue.

Lease Liabilities

Lease liabilities represent the estimated current present value of payments for the Group's operating leases in accordance with IFRS 16. Lease liabilities amounted to SAR 22.5 million at 31 December 2019G.

Lease liabilities increased from SAR 22.5 million as at 31 December 2019G to SAR 40.1 million as at 31 December 2020G in line with the revision of agreement terms and rates with one of the main lessors in order to get unified rates.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Withholding Tax Provision

The withholding tax provision represents an obligation by the Group to pay withholding taxes on all its international payments. It remained relatively stable at SAR 2.0 million between 31 December 2018G and 31 December 2019G in relation to international payments.

The withholding tax provision remained relatively stable at SAR 2.0 million between 31 December 2019G and 31 December 2020G and was mainly related to international payments.

6-5-31 Deferred Revenue

Table (6-34): Deferred Revenue as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Deferred revenue of stc	929,941	1,330,335	1,606,137
Deferred revenue of other companies	57,984	96,291	98,848
Total deferred revenue	987,925	1,426,626	1,704,986

Source: Management information

Deferred revenue represents billings issued to customers in excess of the value of work executed by the Group as per the terms of billings in the contract agreement. Deferred revenue increased from SAR 987.9 million as at 31 December 2018G to SAR 1.4 billion as at 31 December 2019G in line with the continuous growth across all major product/service lines.

Deferred revenue increased from SAR 1.4 billion as at 31 December 2019G to SAR 1.7 billion as at 31 December 2020G due to the Group further expanding during the period and securing additional system integration, communication and internet and cloud services projects.

6-5-32 Contract Liabilities

Table (6-35): Contract Liabilities as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Contract liabilities of stc	267,385	404,155	260,457
Contract liabilities of other companies	68,391	48,098	75,578
Total contract liabilities	335,776	452,254	336,035

Source: Management information

Contract liabilities represent amounts (i.e., advances) received from the Group's customers that will be applied against future billings. The balance slightly increased from SAR 335.8 million as at 31 December 2018G to SAR 452.3 million as at 31 December 2019G primarily due to the early collection of the Group's share of the revenue sharing services from the projects secured "through-stc" as part of B2B channel.

Contract liabilities decreased from SAR 452.3 million as at 31 December 2019G to SAR 336.0 million as at 31 December 2020G as a result of the decrease in advances collected from stc projects, due to the recognition of projects as the Group performed the services to stc over the same period.

6-5-33 Zakat Payable

Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority and a provision is set aside by Saudi Telecom Company (the "Parent Company") and its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Company's share of the provision is charged to the consolidated statement of profit and loss and other comprehensive income. Amendments resulting from the final Zakat assessments are recorded in the reporting period in which this assessment is approved by the Zakat, Tax and Customs Authority.

6-5-34 Non-current liabilities

Table (6-36): Non-current liabilities as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Lease liabilities	-	54,157	48,171
End of service indemnities	125,754	189,139	294,777
Total non-current liabilities	125,754	243,296	342,948

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

6-5-35 Lease liabilities

The balance pertains to the right of use of operating leases in compliance with IFRS 16 effective for annual reporting periods beginning on or after 1 January 2019G and amounted to SAR 54.2 million as at 31 December 2019G.

Lease liabilities decreased from SAR 54.2 million as at 31 December 2019G to SAR 48.2 million as at 31 December 2020G.

6-5-36 End of service indemnities

Table (6-37): Movement of end of service indemnities during 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Opening balance	92,250	125,754	189,139
Expected service cost	48,095	70,663	83,883
Finance cost	4,711	5,961	6,250
Total amount recognized in profit or loss	52,806	76,624	90,133
Loss/(gains) recognized in OCI	(10,790)	2,378	35,271
Payments	(8,512)	(15,617)	(19,766)
Closing balance	125,754	189,139	294,777

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Table (6-38): Significant actuarial assumptions for 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Drop rate	15%	15%	15%
Salary increase rate	5.6%	5.6%	4.5%
Discount rate	4.8%	3.4%	2.7%
Retirement age	65	65	65

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Table (6-39): Sensitivity Analysis for 2020G

SAR in 000s	Change in assumptions	Core value	Impact on the Defined Benefit Obligation	
			Increase in assumptions	Decrease in assumptions
Discount rate	1%	294,777	265,335	329,553
Drop rate	20%	294,777	270,072	324,582
Salary increase rate	1%	294,777	328,533	265,558

Source: Audited consolidated financial statements for 2020G

The Group grants end of service indemnities (a benefit plan) to its employees in observation of the requirements of the Labor law in KSA. The benefit provided by this plan is a lump sum based on employees' final salaries and allowances and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position for the defined benefit end of service plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms approximating the terms of the related obligation. The discount rate has been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

Re-measurement amounts of actuarial gains and losses on the defined benefit obligation, if any, are recognized and reported within consolidated OCI under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity. The end-of-service indemnity provision increased from SAR 125,8 million as at 31 December 2018G, to SAR 189,1 million as on 31 December 2019G, and SAR 294,8 million as at 31 December 2020G, due to the increased number of employees during the period.

6-5-37 Related Party transactions

Table (6-40): Related Party transactions for the financial years ending on 31 December 2018G, 2019G and 2020G

SAR in 000s	31 December 2018G	31 December 2019G	31 December 2020G
Sales of goods and services to and through stc and its subsidiaries*	3,415,530	4,174,561	5,313,919
Purchases (from the Parent Company)	81,399	186,661	252,078
Discounts on certain projects	100,000	-	199,072
Sale of intangible assets and property and equipment	-	-	31,628
Long term incentive expense charged by the Parent Company	-	-	216

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

*Sales of goods and services to stc and its subsidiaries include an amount of SAR 2.9 billion as at 31 December 2020G, SAR 2.1 billion as at 31 December 2019G, SAR 1.7 billion as at 31 December 2018G for which stc is not the end customer.

Table (6-41): Balances outstanding with Related Parties as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Accounts receivable: gross	1,714,009	2,207,101	2,146,108
Contract assets	696,570	754,271	949,422
Other assets: receivables from Related Parties	66,799	19,134	80,662
Deferred revenue	(929,941)	(1,330,335)	(1,606,137)
Amounts due to Related Parties	(45,442)	(60,593)	(114,943)
Accrued connectivity charges	-	(115,855)	(239,657)
Contract liabilities	(267,385)	(404,155)	(260,457)
Accrued expenses	(25,161)	(40,705)	(108,059)

Source: Audited consolidated financial statements for the financial years 2019G and 2020G and Management information for 2018G

Table (6-42): Age of unimpaired amounts due from a related party as at 31 December 2018G, 2019G and 2020G

SAR in 000s	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Neither past due nor impaired	946,858	1,291,464	932,147
Past due but not impaired			
0 to 3 months	383,949	540,265	450,520
4 – 6 months	162,646	213,707	379,906
7 – 12 months	23,748	110,843	298,475
Over 1 year	141,154	5,942	4,214
Total	1,658,355	2,161,860	2,065,263

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G

Related Party transactions (sell-to-stc and sell-through-stc net of discounts) demonstrated a decline since 2018G (representing 84.6% of total net revenue in 2018G compared to 79.4% in 2019G and 74.2% in 2020G) as the Group has been successfully diversifying its customer base. All sell-to-stc transactions are conducted at arm's length while the sell-through-stc are governed by six (6) formal contracts/agreements.

As at the end of December 2020G, net receivables from Related Parties past due for more than 180 days (from 7 to 12 months and more than a year) amounted to SAR 302.7 million, representing 10.8% of net accounts receivable as of 31 December 2020G.

6-5-38 Capital commitments and contingent liabilities

The Company does not have any capital commitments as at 31 December 2020G.

The amount of the Company's letters of guarantee decreased from SAR 247.2 million as at 31 December 2019G to SAR 205.7 million as at 31 December 2020G.

6-5-39 Consolidated Statement of cash flows Data

Table (6-43): Consolidated statement of cash flows data for the financial years ended 31 December 2018G, 2019G and 2020G

SAR in 000s	2018G	2019G	2020G
Operating activities			
Net profit before Zakat	608,287	434,769	753,774
Adjustment for:			
Depreciation, impairment and amortization – property and equipment and intangibles	42,994	75,150	89,813
Depreciation – right-of-use assets	-	17,053	18,772
Employee benefits expense	52,806	76,624	90,349
Impairment / (reversal of impairment) of accounts receivables and contract assets	9,521	(8,526)	46,114
Reversal for future estimated contract losses	(8,342)	-	-
Impairment of contract assets	-	-	6,127s
Provision / (reversal of provision) for slow moving and obsolete inventories	(4,443)	32,121	8,092
Gain on sale of a subsidiary	-	(71,992)	-
Provision / (reversal of provision) against lease contracts and advances to suppliers	(2,345)	(6,799)	30,440
Provision for penalties	7,966	-	-
Finance charges	-	2,958	2,538
Finance income	(30,320)	(15,556)	(1,639)
	676,125	535,793	1,044,379
Changes in operating assets and liabilities:			
Accounts receivable	(870,076)	(805,495)	(217,528)
Prepayments and other assets	(164,037)	122,002	979
Contract assets	(15,105)	(290,262)	(335,551)
Inventories	(64,478)	(42,479)	30,193
Contract costs	(22,558)	16,341	(425)
Accounts payable and accruals	429,182	191,455	491,609
Deferred revenue	507,207	438,701	278,360
Contract liabilities	(311,763)	116,478	(116,218)
Cash flows generated from operating activities	164,496	282,532	1,175,799
Zakat paid	(26,829)	(99,870)	(38,951)
End of service indemnities paid	(8,512)	(15,617)	(19,766)
Finance income received, net	31,188	16,437	1,981
Net cash generated from operating activities	160,343	183,483	1,119,064
Investing activities			
Purchase of property and equipment and intangible assets	(133,340)	(179,410)	(536,000)

SAR in 000s	2018G	2019G	2020G
Proceeds from sale of a subsidiary	-	100,000	-
Net liquidation of Murabaha time deposits	569,600	230,400	-
Net cash generated from (used in) investing activities	436,260	150,990	(536,000)
Financing activities			
Lease liabilities payment	-	(12,578)	(3,871)
Dividend paid	(300,000)	(800,000)	-
Net cash used in financing activities	(300,000)	(812,578)	(3,871)
Net (decrease)/increase in cash and cash equivalents	296,603	(478,106)	579,193
Cash and cash equivalents at the beginning of the year	595,783	892,387	414,281
Cash and cash equivalents at the end of the year	892,387	414,281	993,474

Source: Audited consolidated financial statements for the financial years 2018G, 2019G and 2020G.

Net Cash Generated from Operating Activities

Net cash generated from operating activities remained relatively stable between 2018G and 2019G, and reached SAR 183.5 million in 2019G as a result of positive changes in working capital balances, especially contract liabilities, from SAR -311.8 million (outflow) in 2018G to SAR 116.5 million (inflow) in 2019G. This was partially offset by the decrease in change in contract assets from SAR -15.1 million (outflow) in 2018G to SAR -290.3 million in 2019G (outflow) and the decrease in net profit before Zakat from SAR 608.3 million in 2018G to SAR 434.8 million in 2019G.

Net cash generated from operating activities increased from SAR 183.5 million in 2019G to SAR 1.2 billion in 2020G due to the increase in net profit before Zakat from SAR 434.8 million in 2019G to SAR 753.8 million in 2020G along with the positive changes in working capital especially the changes in accounts receivable from SAR -805.5 million (outflow) in 2019G to SAR -217.5 million (outflow) in 2020G and partially offset by the decrease in contract liability change from SAR 116.5 million (inflow) in 2019G to SAR -116.2 (outflow) million in 2020G.

Net Cash Generated from (used in) Investment Activities

Net cash generated from (used in) investment activities decreased from SAR 436.3 million in 2018G to SAR 151.0 million in 2019G as a result of the decrease in proceeds from encashing Murabaha deposits. This was partially offset by the increase in proceeds from sale of stc Pay which amounted to SAR 100.0 million in 2019G.

Net cash generated from investing activities decreased from SAR 151.0 million (inflow) in 2019G to SAR -536.0 million (outflow) in 2020G as a result of the increase in purchases of property and equipment. This increase in purchases is mainly due to additions related to investments in hardware for cloud, digital, network and communications platforms, in addition the increased number of laptop computers during the period, in line with the continued growth of the number of employees.

Net cash used in financing activities

Net cash used in financing activities decreased to SAR -812.6 million in 2019G as a result of the increase in dividends paid (SAR 800.0 million) along with the increase in lease liabilities payments (SAR 12.6 million) in 2019G.

Net cash used in financing activities decreased from SAR -812.6 million (outflow) in 2019G to SAR -3.9 million (outflow) in 2020G as a result of the decrease in dividends paid to nil, coupled with a decrease in lease liability payments (SAR 3.9 million in 2020G).

7- Dividend Distribution Policy

Under the dividend distribution policy approved by the Extraordinary General Assembly on 04/07/1442H (corresponding to 16/02/2021G) and the resolution of the Extraordinary General Assembly issued on 20/10/1442H (corresponding to 01/06/2021G) to amend Article 48 of the Bylaws to reflect the dividend distribution policy, each Shareholder is entitled to the rights attached to the Shares, including the right to receive a portion of the dividends declared pursuant to Article 110 of the Companies Law. The Board proposes the declaration and payment of dividends before submitting such to the General Assembly for approval by the Shareholders. The Company is under no obligation to declare dividends and any decision to do so will depend, amongst other things, on the Company's historical performance, anticipated earnings and cash flow, financing and capital requirements, future expansion and growth plans, market and general economic conditions, and the Company's Zakat position as well as legal and regulatory considerations.

The Shares entitle their holders to the right to receive any dividends that the Company declares from the date of this Prospectus and for subsequent financial years. The Directors declare that, as of the date of this Prospectus, they have not distributed dividends declared and due for said periods other than as set out in the table below. Although the Company intends to distribute dividends to its Shareholders on annual basis, the Company does not guarantee the distribution of such dividends or the amounts to be distributed in any given year. In addition, dividend distribution is based on the restrictions set by the Company's Bylaws.

Dividends will be distributed in Saudi riyals. After deducting all general expenses and other costs, the Company's net profits shall be allocated as follows:

- 1- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. This may be discontinued by the Ordinary General Assembly when the statutory reserve totals 30% of the Company's share capital.
- 2- The Ordinary General Assembly may, at the request of the Board, set aside 5% of the net profits to form an additional reserve to be allocated towards the purposes determined by the Assembly.
- 3- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees.
- 4- Out of the balance of the net profits, Shareholders shall receive a payment of no less than 10% of the Company's paid-up capital.
- 5- Subject to Article 22 of the Company's Bylaws and Article 76 of the Companies Law, the balance will be allocated as remuneration for the Directors, and entitlement to such remuneration will be prorated to the number of meetings attended by a Director.
- 6- Based on a Board resolution, the Company may distribute interim dividends to its Shareholders on a semi-annual or quarterly basis if the Company's financial position so permits and liquidity is available, according to the procedures and controls determined by the competent authority.

The following table sets out the dividends distributed by the Company during the last three years:

Table (7-1): Cash Dividends Distributed During the Financial Years Ended 2018G, 2019G and 2020G

SAR '000,000	FY 2018G	FY 2019G	FY 2020G
Net profit for the year	556	394	702
Dividends declared for the year	300*	800**	
Dividends distributed for the year	300	800	-
Ratio of declared dividends to net profit for the year	54%	203%	0%

* Dividends of SAR 300 million were announced in 2018G for the results of 2017G and paid in 2018G.

** Dividends of SAR 800 million were announced in 2019G for the results of 2018G and paid in 2019G.

Source: The Company

8- Use of Offering Proceeds

Proceeds from the Offering are estimated to be ((SAR 3,624,000,000), of which approximately SAR 63.3 million will be applied towards the Offering expenses, which include the fees of the Financial Advisors, the Lead Manager, the Book-runners, the Underwriters, the Legal Advisor, the Underwriters' Council, the Financial Due Diligence Advisor, the Auditor, the Receiving Entities, and the Market Consultant, as well as marketing, printing and distribution fees and other expenses related to the Offering. The net offering proceeds, estimated to be (SAR 3,560,700,000), will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholders will bear all fees, expenses and costs related to the Offering.

9- Capitalization and Indebtedness of the Company

9- Capitalization and Indebtedness of the Company

The following table sets out the capitalization of the Company as derived from its consolidated financial statements for the financial years ended December 31, 2018G, 2019G and 2020G. The following table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 19 “**Financial Statements and Auditor’s Report**” of this Prospectus.

Table (9-1): Capitalization and Indebtedness of the Company as at December 31 2018G, 2019G and 2020G

(SAR '000)	As at December 31 2018G	As at December 31 2019G	As at December 31 2020G
Total loans	-	-	-
Shareholders’ equity			
Share capital	100,000	100,000	1,200,000
Statutory reserve	50,000	50,000	120,180
Other reserves	-	28,204	(6,851)
Retained earnings	1,515,377	1,078,620	610,236
Total shareholders’ equity	1,665,377	1,256,824	1,923,564
Non-controlling equity	-	-	-
Total shareholders’ equity	1,665,377	1,256,824	1,923,564
Total capitalization (total loans + total shareholders’ equity)	1,665,377	1,256,824	1,923,564
Total capitalization/total loans	Cannot be calculated as there are no loans	Cannot be calculated as there are no loans	Cannot be calculated as there are no loans

Source: The audited consolidated financial statements for the financial years ended 2018G, 2019G and 2020G and management information.

The Directors declare that:

- 1- None of the Company’s shares are under option.
- 2- As at the date of this Prospectus, the Company does not have any debt instruments.
- 3- The Company’s cash balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus, taking into account any adverse and material change to the Company’s business.

10- Expert Statements

10- Expert Statements

All Advisors, whose names are contained on Page (v) and (vi), have given and, as at the date of this Prospectus, not withdrawn, their written consent to the reference to their names, addresses and logos and to the publication of their statements in this Prospectus in the manner and format set out in this Prospectus. Furthermore, none of the Advisors or their subsidiaries, shareholders, directors (or their employees forming part of the team serving the Company), or any of their relatives have any shares or interest of any kind in the Company or its Subsidiary, as at the date of this Prospectus, which would impair their independence.

11- Declarations

The Directors declare that:

- 1- There has been no interruption in the business of the Company or its subsidiaries that may influence or have a significant impact on its financial situation during the last twelve months.
- 2- There is no intention to materially change the nature of the activities of the Company or its subsidiaries.
- 3- No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Company or its subsidiaries during the three years immediately preceding the date of the application for registration and offer of the securities subject to this Prospectus with respect to issuance or offering of any securities.
- 4- There has been no material adverse change in the financial or trading position of the Company or its subsidiaries during the three years preceding the date of the application for registration and offer of the securities subject to this Prospectus, in addition to the period covered by the Auditor's report, until the date of the approval of this Prospectus.
- 5- The financial information contained in Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" is extracted without material change and is presented in conformity with the audited consolidated financial statements for the years ended December 31, , 2019G (for the financial information as at and for the year ended December 31, 2018G) and 2020G (for the financial information as at and for the years ended December 31, 2019G and 2020G)and the accompanying notes. The aforementioned financial statements have been prepared in accordance with IFRS-KSA, and audited by the Company's Auditor, Ernst & Young & Co. (Certified Public Accountants).
- 6- There have been no material adverse changes to the Company's financial or business position in the three financial years directly preceding the date of the application for the registration and offer of securities subject to this Prospectus, in addition to the end of period covered in the Auditor report until the issue date this Prospectus, except as disclosed in Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus or any another section therein, especially the factors mentioned in Section 2 "**Risk Factors**"
- 7- The Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA.
- 8- None of Directors, Senior Executives or the Secretary has ever been declared bankrupt or subject to bankruptcy proceedings.
- 9- There has been no declaration, within the last five years, of any bankruptcy or insolvency of any of the Company's Directors, Senior Executives or the Secretary appointed to an administrative or supervisory position.
- 10- Except as disclosed in Section 5.7 "**Direct and Indirect Interests of the Directors and Executive Management**", Section 5.11 "**Employee Shares**" and Section 12.6 "**Agreements with Related Parties**" of this Prospectus, none of Directors or any of their relatives have shares or interests of any kind in the Company or its subsidiaries.
- 11- Except as disclosed in Section 5.11 "**Employee Shares**" of this Prospectus, there have been no employee share schemes that would involve employees in the Company's capital, and no other similar arrangements are in place.
- 12- A program has been approved by the General Assembly concerning the granting of shares to some employees as performance bonuses in accordance with the procedures and conditions of the program set out in this Prospectus (for further details, see Section 5.11 "**Employee Shares**" of this Prospectus).
- 13- All agreements with Related Parties described in Section 12.6 "**Agreements with Related Parties**" of this Prospectus, including determination of the contract price, have been executed in accordance with the laws and regulations and on an arm's-length basis pursuant to Article 72 of the Companies Law, like the agreements made with third parties.
- 14- Except as disclosed in Section 12.6 "**Agreements with Related Parties**", none of the Directors, Senior Executives, the Secretary, or any of their relatives or affiliates have any interest in any existing written or oral contracts, arrangements, or agreements under consideration or to be concluded with the Company until the date of this Prospectus.
- 15- Except as disclosed in Section 12.6.1 "**Agreements with stc**" of this Prospectus, the Company is not bound by any other transactions or agreements in place with stc as at the date of this Prospectus.
- 16- Except as disclosed in Section 2 "**Risk Factors**" and Section 12.6 "**Agreements with Related Parties**" of this Prospectus, as at the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities, and the Company has no intention to enter into any new agreements with Related Parties.
- 17- As at the date of this Prospectus, none of the Directors have participated in any activities similar to or competing with the Company's activities. The Directors undertake to fulfill this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

- 18- They will comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the Corporate Governance Regulations, including:
- Unless otherwise approved by the General Assembly, the Directors may not have a direct or indirect interest in the transactions and contracts entered into by the Company.
 - The Directors shall notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company. This notification shall be recorded in the minutes of the Board meeting, and the relevant Directors may not vote on such transactions and contracts.
 - The Directors shall notify the Board of conflicts of interests that might impact their neutrality when reviewing the matters under consideration by the Board. The Board shall not include this member in the deliberations, and their vote on these matters in meetings of the Board and shareholder assemblies shall not be counted.
 - All works and contracts with Related Parties shall be subject to vote in meetings of the Board and, if required by the Law, the General Assembly of the Company. Directors may not vote on any resolution related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.
 - They will not compete with the Company's business, and all Related Party transactions in the future will be conducted on an arm's length basis in accordance with Article 72 of the Companies Law.
- 19- They will not approve proposed contracts and transactions conducted by the Company with any Related Party (including stc) until obtaining the opinion of the Audit Committee on these contracts and transactions, based on the competencies of the Audit Committee in Article 55 of the Corporate Governance Manual.
- 20- The Directors and the CEO shall not have the right to vote on decisions relating to their fees and remuneration.
- 21- Neither the Directors nor Senior Executives shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.
- 22- The Directors have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including the Companies Law, the Capital Market Law and its Implementing Regulations, the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.
- 23- The Company has laid down appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible conflicts, which include the misuse of the Company's assets and abuse resulting from Related Party transactions. The Company has ensured that its operational and financial systems are sound and that appropriate control procedures for risk management are in place, as required under Part 5 of the Corporate Governance Regulations. The Directors also review the Company's internal control procedures annually.
- 24- The internal control, accounting, and information technology systems of the Company are sufficient and adequate.
- 25- The Company alone or together with its subsidiary has working capital sufficient for at least twelve (12) months immediately following the date of publication of this Prospectus.
- 26- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus, taking into account any adverse and material change to the Company's business.
- 27- None of the shares of the Company or its subsidiary are under option.
- 28- As at the date of this Prospectus, neither the Company nor its subsidiary have any issued, existing or approved but unissued debt instruments, term loans or secured or unsecured mortgages, except as disclosed in Section 12.54 "**Financing Agreements**" of this Prospectus.
- 29- Neither the Company nor its subsidiary have any property, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which materially and adversely affects the evaluation of its financial position.
- 30- Except as disclosed in Section 12.54 "**Financing Agreements**," Section 2 "**Risk Factors**," and Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus, the Company does not have any loans or other liabilities, whether covered by personal or non-personal guarantee or covered by a mortgage, including bank overdrafts, or any guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments.
- 31- The Company has presented comprehensive details in Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus of any contingent liabilities (for further details, please refer to Section 6.5.38 "**Capital Commitments and Contingent Liabilities**" of this Prospectus) and has calculated and recorded a provision for the liabilities set out in this discussion.

- 32- The properties of the Company and its Subsidiary are not subject to any mortgages, rights or encumbrances as of the date of this Prospectus.
- 33- The Company has presented comprehensive details in Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus regarding all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate (excluding finance portfolios to cover bank financing).
- 34- Except as disclosed in Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a material impact (directly or indirectly) on its business.
- 35- Except as disclosed in Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus, the Company is not aware of any seasonal factors or economic cycles related to the business that may have an effect on the Company's businesses or its financial position.
- 36- To the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus than those mentioned in Section 2 "**Risk Factors**" which might affect investors' decisions to invest in the Offer Shares.
- 37- All material facts related to the Company and its financial performance have been disclosed in this Prospectus, and there is no other information, document, or fact the omission of which would make any statement herein misleading.
- 38- The Offering does not violate the applicable laws and regulations in the Kingdom.
- 39- All necessary approvals for the Company's Offering on the Exchange and for incorporation as a public joint stock company have been obtained.
- 40- The Offering does not prejudice any of the contracts or agreements to which the Company is a party.
- 41- The Company complies with all terms and conditions under agreements with lenders granting all loans, facilities and financing, and as of the date of this Prospectus, there has been no violation of contractual terms and conditions under the agreements with lenders granting all loans, facilities and financing.
- 42- All material legal information relating to the Company has been disclosed in the Prospectus, all contracts and agreements that the Company believes to be significant or material or which may affect the investors' decisions to invest in the Offering Shares have been disclosed. There are no other material agreements that have not been disclosed.
- 43- All terms and conditions that may affect the decisions of investors to invest in the Offer Shares have been disclosed.
- 44- Except as disclosed in Section 12.11 "**Litigation and Claims**" of this Prospectus, the Company is not involved in any lawsuits or proceedings that may, individually or collectively, have a material impact on the Company's business or financial position as at the date of this Prospectus, and it is not aware of the threatened initiation of any lawsuits or claims.
- 45- They are not involved in any lawsuits or proceedings that may, individually or collectively, have a material impact on the Company's business or financial position as at the date of this Prospectus.
- 46- The Company's insurance policies set out in Section 12.10 "**Insurance**" provide insurance coverage with sufficient limits for the Company to conduct its business. The Company periodically renews insurance policies and contracts to ensure that there is continuous insurance coverage.
- 47- Except as disclosed in Section 2 "**Risk Factors**" and Section 12.3 "**Key Licenses**" of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities.
- 48- As of the date of this Prospectus, the Company does not own any real estate, and all lease contracts concluded by the Company are effective as of the date of this Prospectus.
- 49- The Company sponsors all Company employees.
- 50- As at the date of this Prospectus, the beneficial, direct and indirect legal ownership of the Company's shares is held by the persons whose names are listed in Table 4.3 "**Ownership Structure of the Company before and after the Offering**" of this Prospectus).
- 51- All increases in the share capital of the Company are in compliance with the laws and regulations of the Kingdom.
- 52- As at the date of this Prospectus, the Company does not have a R&D policy and it does not produce any products.
- 53- Third-party information and data included in this Prospectus, including the information obtained or derived from the market study report conducted by the Market Consultant, is reliable and there is no reason to believe that such information is materially inaccurate.

- 54- The Subsidiary (stcs for IT) is not considered material for the purposes of the Rules on the Offer of Securities and Continuing Obligations.
- 55- This Prospectus includes all information required under the Rules on the Offer of Securities and Continuing Obligations, and there are no other facts the omission of which would affect the application for the registration and offer of securities.
- 56- The Company has submitted and will submit to the CMA all the documents required under the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.

12- Legal Information

12-1 Legal Declarations

The Directors declare that:

- 1- The Offering does not violate the applicable laws and regulations in the Kingdom.
- 2- The Offering does not prejudice any of the contracts or agreements to which the Company is a party.
- 3- All material legal information relating to the Company has been disclosed in the Prospectus.
- 4- Except as disclosed in Section 12.11 "**Litigation and Claims**" of this Prospectus, the Company is not involved in any lawsuits or proceedings that may, individually or collectively, have a material impact on the Company's business or financial position as at the date of this Prospectus.
- 5- The Directors are not involved in any lawsuits or proceedings that may, individually or collectively, have a material impact on the Company's business or financial position as at the date of this Prospectus.

12-2 The Company

Arabian Internet and Communications Services Co. is a closed Saudi joint stock company converted from a limited liability company to a closed joint stock company pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) and registered under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G), and its registered address is P.O. Box 50, Riyadh, 11372, Kingdom of Saudi Arabia.

The Company was established in 08/11/1423H (corresponding to 11/01/2003G) as a limited liability company with a fully paid-up capital of ten million Saudi riyals (SAR 10,000,000), divided into ten thousand (10,000) equal cash shares with a fully paid nominal value of one thousand Saudi riyals (SAR 1,000) per share. The Company was registered in Riyadh under Commercial Registration No. 1010183482 dated 08/11/1423H (corresponding to 11/01/2003G). Since inception, the Company's capital has been increased several times. The capital was first increased, by virtue of a partners' resolution amending the Company's Memorandum of Association on 14/04/1432H (corresponding to 19/03/2011G), from ten million Saudi riyals (SAR 10,000,000) to one hundred million Saudi riyals (SAR 100,000,000), divided into ten million (10,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of ninety million Saudi riyals (SAR 90,000,000) was covered through the current account of the partners. By virtue of the partners' resolution amending the Company's Memorandum of Association on 01/04/1442H (corresponding to 16/11/2020G), the Company's capital was increased from one hundred million Saudi riyals (SAR 100,000,000) to one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) equal cash shares with a nominal value of ten Saudi riyals (SAR 10) per share. The increase of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) was covered through capitalization of the retained earnings. On 16/05/1442H (corresponding to 31/12/2020G), the Company was converted from a limited liability company to a closed joint stock company with a fully paid-up capital of one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share, pursuant to Ministry of Commerce Resolution No. 144 dated 08/05/1442H (corresponding to 23/12/2020G) (for further details about the Company's history, please refer to Section 4.2 "**Corporate History and Evolution of Capital**" of this Prospectus).

12-2-1 Shareholder Structure

The Company's current capital amounts to one billion, two hundred million Saudi riyals (SAR 1,200,000,000) fully paid up, divided into one hundred twenty million (120,000,000) ordinary shares with a fully-paid nominal value of ten Saudi riyals (SAR 10) per share. The following table illustrates the ownership structure as at the date of this Prospectus:

Table (12-1): Ownership Structure of the Company as at the Date of this Prospectus

#	Shareholder	Pre-Offering			Post-Offering		
		No. of Shares	Overall Nominal Value (SAR)	Percentage	No. of Shares	Overall Nominal Value (SAR)	Percentage
1.	stc	116,400,000	1,164,000,000	97%	94,800,000	948,000,000	79%
2.	Telecom Commercial Investment Company Limited	3,600,000	36,000,000	3%	-	-	-
3.	Public	-	-	-	24,000,000	240,000,000	20%
4.	Treasury shares*	-	-	-	1,200,000	12,000,000	1%
Total		120,000,000	1,200,000,000	100%	120,000,000	1,200,000,000	100%

* Upon completion of the Offering, the Selling Shareholder will sell one million, two hundred thousand (1,200,000) shares at the final Offer Price to the Company for use as part of the Company's Employee Share Scheme (for further details, please refer to Section 5.11 "Employee Shares" of this Prospectus).

Source: The Company

12-2-2 Company Branches

The Company has five (5) branches in the Kingdom. The following table sets out the details of the registered branches of the Company as at the date of this Prospectus:

Table (12-2): Company Branches as at the Date of this Prospectus

#	Branch Location	Commercial Registration No.	Commercial Registration Certificate Date	Expiry Date of Commercial Registration Certificate
1.	Jubail - Al Nakheel Mall - Waterfront	2055022604	15/07/1435H (corresponding to 14/05/2014G)	15/07/1445H (corresponding to 27/01/2024G)
2.	Khobar - Khobar Mall	2051057553	15/07/1435H (corresponding to 14/05/2014G)	15/07/1445H (corresponding to 27/01/2024G)
3.	Jeddah - Jeddah International Business Tower - Tower B	4030271030	15/07/1435H (corresponding to 14/05/2014G)	15/07/1445H (corresponding to 27/01/2024G)
4.	Riyadh, Olaya Street, Akaria Plaza 3	1010294137	20/09/1431H (corresponding to 30/08/2010G)	21/12/1446H (corresponding to 17/06/2025G)
5.	Riyadh, Olaya Street, Akaria Plaza 3 (registered under the trade name of the Saudi Company for Cloud Computing)	1010464020	04/12/1437H (corresponding to 05/09/2016G)	04/12/1443H (corresponding to 03/07/2022G)

Source: The Company

12-2-3 Subsidiaries

The Company owns shares in one (1) subsidiary, which is located outside the Kingdom. The Directors declare that the subsidiary is not considered material for the purposes of the Rules on the Offer of Securities and Continuing Obligations. Following are the details of this subsidiary:

Table (12-3): Subsidiaries as at the Date of this Prospectus

#	Name of Subsidiary	Country of Incorporation	Share Capital	No. of Shares	Company's Ownership Percentage
1.	stcs for IT	Egypt	USD 70,000 (SAR 262,500)	1,000	100%

Source: The Company

The Subsidiary is incorporated in Egypt, with commercial registration number 130135 dated 09/05/1440H (corresponding to 15/01/2019G) and a share capital of seventy thousand US dollars (USD 70,000) paid in cash, divided into one thousand (1,000) shares with a nominal value of seventy US dollars (USD 70) each. Pursuant to its commercial registration certificate, the principal activities of the Subsidiary are concentrated in the information technology and communication industry including industrial activities that encompass design and development of electronics and data centers, outsourcing activities, software development and technological education, characterization, analysis

and design of software, databases and applications of all kinds, design and production of programs and applications, databases and electronic information system creation, operation, and training, production of different forms of voice, image and data electronic content, data entry on computers and using electronic means, characterization and design of accounting systems of all kinds, embedded systems production, development, operation, and training, characterization and design of data transfer and handling networks, implementation and management of data transfer and handling networks, telecommunications and Internet services, projects that invest in development of intellectual property rights, including patents and industrial models and drawings, establishment of networks to transmit voice, image and data, delivery of value-added services. establishment, management, operation and maintenance of telecommunication stations and networks and satellites, save for those of radio and television, scientific R&D projects for development purposes and projects that support space science and remote sensing as well as modern technology projects, establishment and management of training centers for researchers and information technology transfer centers, establishment, management, and development of consultation and studies centers specialized in information and telecommunications, technological business incubators and entrepreneurship support, activities related to conversion of traditional voice, image and data content to digital content, including digitization of scientific, cultural and artistic content, e-commerce and the Internet, and public procurement. In addition, the Subsidiary supports the Company in providing its services in the Kingdom, mainly with regards to program development. The Subsidiary provides internal software development services for the Company's digital solutions products and has delivered multiple products and enhancements, particularly in the domain of fleet control and marketplace.

The Subsidiary accounts for less than 5% of the Company's assets, liabilities (including contingent liabilities), revenues and profits, and is therefore not considered a material subsidiary according to the Rules on the Offer of Securities and Continuing Obligations. The Subsidiary does not own any assets inside the Kingdom.

12-3 Key Licenses

As at the date of this Prospectus, the Company has obtained a number of key licenses. This section provides a summary of the licenses that the Directors believe are material in relation to the Company's business or that may affect an investor's decision to subscribe to the Offer Shares. The Directors declare that the Company has obtained all key licenses and approvals required to engage in its activities with the exception of the disclosures contained in Section 2 "Risk Factors" of this Prospectus.

12-3-1 CITC Licenses

The Company has obtained all the necessary key licenses from the Communications and Information Technology Commission (CITC) that enable the Company to operate. Following is a summary of the licenses issued to the Company in the Kingdom:

Table (12-4): CITC Licenses as the Date of this Prospectus

#	License Type	Issuing Authority	Purpose	License No.	Issue Date	Expiry Date
1.	Type (B) Class License*	CITC	Provision of internet services (ISP)	30-06-27	12/04/1438H (corresponding to 10/01/2017G)	11/04/1445H (corresponding to 26/10/2023G)
2.	Type (B) Class License*	CITC	Provision of SMS service	456-10-37	20/05/1438H (corresponding to 17/02/2017G)	19/05/1445H (corresponding to 03/12/2023G)
3.	Type (B) Class License*	CITC	Provision of AVL service	280-07-37	13/06/1438H (corresponding to 12/03/2017G)	12/06/1444H (corresponding to 05/01/2023G)
4.	Type (B) Class License*	CITC	Provision of call center service	8113-37	13/06/1438H (corresponding to 12/03/2017G)	12/06/1444H (corresponding to 05/01/2023G)
5.	Type (B) Class License*	CITC	Provision of ICT network management and monitoring services	11.09-37	13/06/1438H (corresponding to 12/03/2017G)	12/06/1444H (corresponding to 05/01/2023G)
6.	Type (B) Class License*	CITC	Provision of telecommunications services using VSAT system	22.04-34	22/12/1434H (corresponding to 27/10/2013G)	21/12/1444H (corresponding to 09/07/2023G)
7.	License for Provision of Digital Certification Services	CITC	Provision of digital certification services	License does not have a number	28/04/1438H (corresponding to 26/01/2017G)	27/04/1443H (corresponding to 02/12/2021G)

* Issuance of Type (B) Class Licenses does not require entering into competition, any entity may, after meeting the requirements, submit an electronic application to the CITC for the necessary license through the electronic licensing services portal.

Source: The Company

Following is a summary of the terms and conditions of licenses issued by CITC to the Company. The following summary does not include all terms and conditions and cannot be considered a substitute for the terms and conditions of these licenses.

A. General Terms and Conditions for Type (B) Class Licenses

All licenses falling under Type (B) Class Licenses share the same general terms and conditions, except for the license to provide telecommunications services using VSAT system, as each one has its own terms and conditions.

Under these terms and conditions, CITC has a number of powers, including but not limited to the following:

- Amending the license in accordance with its Statutes and public interest requirements.
- Cancelling or suspending the license, at its absolute discretion, when the Company commits any action requiring such, without CITC bearing any consequences or liabilities resulting from the cancellation or suspension of the license.

The Company may, with the prior written consent of CITC, waive the license, provided that the assignee satisfies all legal, technical, financial and commercial requirements to obtain the license, as CITC determines and deems consistent with its Statutes. The Company may not contract with any third parties to provide the services it is licensed to provide under the license without the written consent of CITC.

The Company shall perform all obligations under CITC Statutes and licensing regulations, including continuing to provide, develop and improve services in line with the objectives of the Statutes. The Company shall abide, without limitation, by the following:

- Adhere to high-quality performance levels consistent with globally recognized standards, in addition to CITC's decisions issued in this regard.
- Avoid discriminatory treatment of users, and ensure their privacy is maintained.
- Clarify the fees paid in advance for the services and features provided to those who wish to obtain such service before they use it.
- Refrain from using users' phone numbers or numbers received by users, or utilize them in any way without the prior consent of the owner of the number.
- Refrain from providing unlicensed services.
- Ensure the equipment needed to provide the service complies with the technical standards of CITC, and that their use is confined to delivery of services provided for in the license.
- Submit periodic reports to CITC and provide any further information required by CITC.

B. Special Terms and Conditions for Class (B) Licenses

1- **Internet Services Provider (ISP) License**

Under this license, the Company may engage in dial-up internet connectivity, high-speed internet connectivity, e-mail, customization and assignment of digital servers (IP Allocation and Assignment), design and hosting of websites, monitoring of networks, registration of domain names in accordance with the governing rules and regulations, in addition to online content publishing service and online advertising.

- Pursuant to these special terms and conditions, the Company shall abide, without limitation, by the following:
- Only provide its services or connect to the World Wide Web through the methods specified by CITC.
- Implement and comply with all controls and instructions issued by CITC and other relevant government agencies.
- Provide high quality service, and treat beneficiaries honestly and well.
- Comply with intellectual property provisions, in accordance with the governing laws and other relevant regulations, when introducing any program to subscribers.
- Ensure that government websites in the Kingdom are only hosted by servers inside the Kingdom.
- Adhere to certain requirements when dealing with subscribers, including, for example, avoiding discriminatory treatment between them, ensuring that their privacy and accounts are maintained, and providing them with technical support twenty-four hours a day.

2- **SMS License**

Under this license, the Company may offer text messaging services that are provided through public telecommunications networks licensed in the Kingdom. This service allows the Company or its customers to send or exchange short (text, audio, and visual) messages.

Pursuant to these special terms and conditions, the Company shall abide, without limitation, by the following:

- Adhere to the controls to reduce spam.
- Use message centers and telecommunications networks licensed in the Kingdom when sending any message.
- Coordinate with licensed telecom network operators inside the Kingdom when using their messaging centers in the Kingdom to send a group of short messages to beneficiaries outside the Kingdom, with the Company bearing any financial or legal consequences that the operator may face in the event that the Company violates international agreements that govern the in-Kingdom operator's relationship with operators outside the Kingdom.
- Not resell SMS messages to any party outside the Kingdom.
- Saudization of the following positions: The Company's top officer (General Manager/CEO), who is responsible for communicating with CITC and must satisfy the statutory requirements, and who represents the Company before government agencies or other licensees.

3- **AVL Service License**

Under this license, the Company may provide Automatic Vehicle Location (AVL) service, which is a control and monitoring system for the locations and performance of vehicles such as transport, distribution, or service vehicles, etc., to help manage these vehicles remotely using GPS technology via the mobile network and/or satellite (GPS) and mobile phone SMS systems.

Pursuant to these special terms and conditions, the Company shall use the message centers and the telecommunications networks licensed in the Kingdom when sending any message, and ensure that the locations of all devices and equipment pertaining to sending and receiving centers and system management, including servers and subscriber information storage devices, are inside the Kingdom.

4- **Call Center Service License**

Under this license, the Company may deliver call center services, which are based on the use of technical means, to provide the required services to customers without the need to meet the customer, in accordance with the agreements with the center's contractors. The infrastructure must be able to keep pace with customer communications.

Pursuant to these special terms and conditions, the Company shall abide, without limitation, by the following:

- Obtain the approval of the relevant authorities to provide any service that these authorities supervise or for which they are responsible.
- Not provide unlicensed services and only use networks licensed by CITC.
- In the event that the delivery of the service requires the use of the internet, then the servers must be within the Kingdom, similar to the call center.

5- **ICT Networks Management and Monitoring License**

Under this license, the Company may provide a service to manage and control information and communication technology (ICT) networks and the operation thereof, through service centers directly connected to those networks or via leased lines, the internet or any other means of communication. This service does not include the provision of telecommunications services from/to the Kingdom.

Pursuant to these special terms and conditions, the Company shall abide, without limitation, by the following:

- Not provide any national or international telecommunication services within the Kingdom in any way, including passing local or international voice calls via any means, including VoIP or any other means.
- Use the telecommunications networks licensed by the CITC inside or outside the Kingdom by the regulatory authorities in each country, in order to provide service for managing, monitoring and controlling networks.
- Use licensed networks if service is to be provided from outside the Kingdom.
- Not divulge any information related to service beneficiaries and observe beneficiaries' rights.
- Provide the necessary technical and security protection measures to guard against intrusion and hacking.
- Base the management and control center as well as the servers inside the Kingdom.

6- **General Special Conditions for Licensing the Provision of Telecommunications Services Using VSAT System**

Pursuant to this License, the Company may engage in the following:

- Establish a Telecommunications Network in the Kingdom using a VSAT system in conformance with international standards and approved by a recognized international standards organization(s) acceptable to the CITC, and operate and maintain the network to provide telecommunication services in accordance with the terms and conditions of this License.
- Provide telecommunication services using the VSAT system at local and national levels.
- Use the space capacities of the satellites which are allowed in the Kingdom. The Company may reach an agreement with other licensed VSAT operators to share these capacities.

Under this license, the Company may interlink closed groups inside or outside the Kingdom. In the event that internet services are provided to those groups pursuant to CITC Statutes, this must be through international gateways licensed by the Commission inside the Kingdom. The location of the Station/Station Hubs of the Company's VSAT system must be inside the Kingdom and can be used for monitoring and control of VSAT systems in other countries, provided that the necessary licenses or approvals are obtained from those countries. The Company shall coordinate with the Commission in regard to registering the Station/Station Hubs pursuant to International Telecommunications Union (ITU) regulations as well as any other terminal station using large antenna and a wide band of radio frequencies. It is not permissible to link with any telecommunications networks that are not authorized by CITC, and content transmission is subject to separate licenses or permissions issued by the related government agencies.

In addition, CITC allocates specific frequency bands to the Company or any other frequencies approved by CITC to be used to provide the licensed services only. The Company may not use these frequencies for any other purpose. Where possible, additional frequency bands may be allocated to the Company to meet its needs, enable it to provide its services, and fulfill its obligations under this license, in accordance with the regulatory procedures provided for in CITC Statutes, and upon payment of the fee for use of those frequencies for any purpose. It is not permissible to allocate additional frequencies to the Company unless it establishes that there is a reasonable present or future subscriber demand.

In case of an emergency or disaster, as determined by the Government, the Company must allow the relevant government agencies to use its public telecommunications network, and the Company is entitled to compensation from those agencies for that use. In addition, the Company must notify CITC when it intends to make any material change in the technology used to deploy the network, and CITC may request that the Company take measures to mitigate any adverse effects resulting from the proposed changes to the technology. Under this license, the Company may, with the prior written consent of CITC, subcontract with third parties to provide the telecommunications services it is licensed to provide under the license. All obligations under this license in this case remain the responsibility of the Company alone.

7- **License for Providing Digital Certification Services**

Under this license, CITC shall have a number of powers, including but not limited to the following:

- Amending the license in accordance with its Statutes and public interest requirements.
- Cancelling or suspending the license, at its absolute discretion, when the Company commits any action requiring such, without CITC bearing any consequences or liabilities resulting from the cancellation or suspension of the license.

The Company may, with the prior written consent of CITC, waive the license, provided that the assignee satisfies all legal, technical, financial and commercial requirements to obtain the license, as CITC determines and deems consistent with its Statutes. The Company may not contract with any third parties to provide the services it is licensed to provide under the license without the written consent of CITC.

Pursuant to this license, the Company may provide digital certification services, which include delivering digital certification certificates or any associated service through the National Digital Certification Center (the "**Certification Center**").

Under this license, the Company shall abide, without limitation, by the following:

- Adhere to high-quality performance levels consistent with globally recognized standards, in addition to CITC's decisions issued in this regard.
- Avoid discriminatory treatment of users, be honest with them, treat them well, and ensure their privacy is maintained.
- Not use users' phone numbers, e-mail addresses, or numbers received by users, or utilize them in any way without the prior consent of the owner.
- Submit periodic reports to CITC and provide CITC and the Certification Center with all information requested.

- Immediately notify the Certification Center of any emergency problems, such as hacking of the Company's system or other problems that may affect the services of the beneficiaries (users).
- Base all hardware, software and servers used in the certification process inside the Kingdom.
- Ensure that the certified information contained in the certificate at the time of delivery is correct and the relationship between the certificate holder and its electronic data is valid, and bear responsibility for any harm caused to any person who has trusted, in good faith, the validity of such.

12-3-2 Other Licenses

In order to continue to operate, the Company has obtained the memberships and other necessary licenses from the Ministry of Interior (MOI), the Ministry of Municipal and Rural Affairs (MoMRA), the chambers of commerce and industry and the Saudi Contractors Authority (SCA). Following is a summary of the memberships and licenses obtained by the Company in the Kingdom:

Table (12-5): Other Licenses as at the Date of this Prospectus

#	License Type	Issuing Authority	Purpose	License No.	Issue Date	Expiry Date
1.	Business license	Central Security Licensing Unit	Installing and maintaining security devices	20506039947	11/04/1442H (corresponding to 26/11/2020G)	11/04/1445H (corresponding to 26/10/2023G)
2.	Membership certificate	Riyadh Chamber of Commerce and Industry (RCCI)	Membership with the Chamber of Commerce	130059	08/11/1423H (corresponding to 11/01/2003G)	07/11/1443H (corresponding to 06/06/2022G)
3.	Membership certificate	Saudi Contractors Authority (SCA)	Contractor membership	100007337	25/04/1442H (corresponding to 10/12/2020G)	11/03/1443H (corresponding to 17/10/2021G)
4.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza 2 - 3rd Floor - Office No. 305)	4002440	15/11/1440H (corresponding to 18/07/2019G)	15/11/1443H (corresponding to 14/06/2022G)
5.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - 3rd and 4th Floors)	36075	24/11/1440H (corresponding to 27/07/2019G)	24/11/1443H (corresponding to 23/06/2022G)
6.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza 1 - 1st Floor - Office No. 129)	4000474	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
7.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza 1 - 4th Floor - Offices Nos. 405, 406 and 407)	4000471	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
8.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - 4th Floor - Office No. 408)	4000477	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
9.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - 4th Floor - Office No. 410)	4000472	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
10.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - 5th Floor - Office No. 407)	4000475	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
11.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - Offices Nos. 715 and 716)	4100635	26/04/1441H (corresponding to 23/12/2019G)	26/04/1444H (corresponding to 20/11/2022G)
12.	Business license	Riyadh Municipality	Information systems and Internet services office (Olaya - Akaria Plaza - Offices Nos. 717, and 718)	4100500	22/03/1441H (corresponding to 19/11/2019G)	22/03/1444H (corresponding to 18/10/2022G)
13.	Business license	Riyadh Municipality	Information systems and internet services office (Olaya - Akaria Plaza - Office No. 720)	4100496	22/03/1441H (corresponding to 19/11/2019G)	22/03/1444H (corresponding to 18/10/2022G)
14.	Business license	Riyadh Municipality	Information systems and Internet services office (Olaya - Akaria Plaza - Office No. 730)	410199	03/07/1441H (corresponding to 27/02/2020G)	03/07/1444H (corresponding to 25/01/2023G)
15.	Business license	Riyadh Municipality	Information systems and Internet services office (Olaya - Akaria Plaza - Office No. 105)	4101237	15/07/1441H (corresponding to 10/03/2020G)	15/07/1444H (corresponding to 06/02/2023G)
16.	Business license	Riyadh Municipality	Information systems and Internet services office (Olaya - Akaria Plaza - Offices Nos. 715, and 716)	4101086	15/06/1441H (corresponding to 09/02/2020G)	15/06/1444H (corresponding to 08/01/2023G)

#	License Type	Issuing Authority	Purpose	License No.	Issue Date	Expiry Date
17.	Business license	Riyadh Municipality	Information systems and Internet services office (Olaya - Akaria Plaza - Offices Nos. 715, and 716)	4000473	07/03/1441H (corresponding to 04/11/2019G)	07/03/1444H (corresponding to 03/10/2022G)
18.	Business license	Riyadh Municipality	Installation and wiring of computer and telecommunication networks (Offices Nos. 719 and 704)	41032615604	None	22/03/1444H (corresponding to 18/10/2022G)
19.	Business license	Riyadh Municipality	Installation and wiring of computer and telecommunication networks (Office No. 619)	42065122530	None	29/06/1446H (corresponding to 30/12/2024G)
20.	Professional license	Al Khobar Municipality	Retail sale of other ICT equipment in specialized stores (King Fahd Road)	40112495632	14/11/1440H (corresponding to 17/07/2019G)	13/11/1443H (corresponding to 12/06/2022G)
21.	Professional license	Jeddah Municipality	Retail sale of other ICT equipment in specialized stores (Al Rawdah District)	41022580616	10/02/1441H (corresponding to 09/10/2019G)	09/02/1444H (corresponding to 05/09/2022G)
22.	Professional license	Jeddah Municipality	Retail sale of other ICT equipment in specialized stores (Al Rawdah District)	41022580615	10/02/1441H (corresponding to 09/10/2019G)	09/02/1444H (corresponding to 05/09/2022G)
23.	Business license	Jubail Municipality	Trade in computers, application systems, databases, telecommunications contracting and internet services (Al Nakheel Mall)	4213	26/07/1435H (corresponding to 25/05/2014G)	24/07/1446H (corresponding to 24/01/2025G)

Source: The Company

12-4 Summary of the Company's Bylaws

12-4-1 Company Objectives, Duration and Head Office

A. Objectives of the Company

The Company undertakes and performs the following objectives:

- 1- Information and communication.
- 2- Other service activities.
- 3- Telecommunication wiring.
- 4- Internet, computer and telecommunication networking wiring.
- 5- Installation and maintenance of security devices.
- 6- Provision of upper management consulting services.
- 7- Construction.

The Company operates in accordance with the applicable laws and with the necessary licenses issued by the competent authorities, if any.

B. Duration of the Company

The duration of the Company is ninety-nine (99) Gregorian years, commencing on the date the Company is registered at the Commercial Register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiry of the Company's term.

C. Head Office of the Company

The Company's head office is located in Riyadh. It may open branches, offices or agencies inside or outside the Kingdom by a Board resolution.

D. Participation and Ownership in Companies

The Company may, on its own, establish limited liability or closed joint stock companies with a capital of no less than five (5) million Saudi riyals. It may also own shares and stocks in other existing companies or merge with them. The Company also has the right to participate with others in establishing joint stock or limited liability companies after satisfying the requirements of the applicable laws and instructions. The Company may also dispose of such shares or stocks, provided that there is no brokerage in trading shares.

12-4-2 The Company's Administrative and Oversight Affairs and Supervisory Committees

A. Formation of the Board

The Company shall be managed by a board of directors consisting of nine (9) directors elected by the Ordinary General Assembly of Shareholders for a period not exceeding three (3) years. As an exception, the Shareholders shall appoint the first board of directors for five (5) years, with such directors being selected in the Conversion Assembly.

B. Termination of Board Membership

Board membership shall end upon the expiry of the Board's term or upon the termination of a Director's membership on the Board pursuant to any applicable laws or instructions in the Kingdom. However, the Ordinary General Assembly may, at any time, dismiss all or any of the Directors, without prejudice to the right of the dismissed Director to hold the Company liable if the removal is made without acceptable justification or at an improper time. A Director may also tender their resignation, provided that such resignation occurs at an appropriate time, otherwise, said Director shall be held liable for any damage affecting the Company as a result of their resignation.

C. Board Vacancies

If the position of a Director becomes vacant, the Board may, at its discretion, appoint a Director to the vacant position temporarily. The competent authorities shall be notified of such appointment within five (5) business days from the date of appointment, and the appointment shall be submitted to the Ordinary General Assembly in its first meeting. The new Director shall complete the term of their predecessor. If the number of Directors falls below the minimum quorum stipulated by the Companies Law or the Company's Bylaws, the remaining directors shall call the Ordinary General Assembly to convene within sixty (60) days to elect the required number of Directors.

D. Powers of the Board of Directors

The Board shall have the broadest powers to manage the Company in order to achieve its objectives, except for actions exempted under a special provision of the Companies Law or the Company's Bylaws that fall within the competence of the General Assembly. The Board may assume the following, without limitation:

- 1- representing the Company, negotiating with third parties to conclude deals and agreements, and signing contracts in the name of the Company. The Board shall have all the powers necessary to manage the Company and approve the Company's project implementation budget, and it has the right to sign for the Company and represent it before official authorities inside or outside the Kingdom;

with regard to the (establishment of companies), signing articles of association and restatements thereof; signing partners' resolutions, appointing and dismissing managers and amending management-related items; engaging in entry and exit of partners; entering into existing companies; determining, increasing, and lowering capital; buying interests and shares, paying the price, selling interests and shares, receiving the price and profits, and assigning and accepting assignment of interests and shares of the capital; transferring interests, shares and bonds; opening accounts with banks in the name of the Company; signing agreements with banks; closing accounts with banks in the name of the Company; delegating the authority to manage the Company's accounts to third parties; amending the Company's objectives, amending the articles of association or restatements thereof; registering the Company; registering agencies and trademarks; assigning trademarks; attending general assemblies; voting on the agenda, receiving profits by virtue of checks in the name of the Company; opening files for the Company; opening branches for the Company; liquidating the Company and appointing a liquidator; converting the Company into a public joint stock company or a limited liability company and vice versa; terminating the articles of association and restatements thereof before the notary; issuing and renewing commercial registrations for the Company; obtaining and renewing membership with the Chamber of Commerce; signing before all chambers of commerce; contacting the Quality Assurance Department and SASO; issuing and renewing licenses for the Company, converting a Company's branch to a company, entering tenders and receiving forms; signing contracts for the Company with third parties; and publishing articles of association, restatements, summaries and bylaws in the Official Gazette;

with regard to (commercial registries), contracting registries management, issuing and renewing registrations; transferring commercial registrations; booking trade names, obtaining and renewing membership with the Chamber; applying for, managing and canceling e-services; delegating powers to third parties; managing, supervising, and amending registrations; adding an activity; opening branches under the registrations, canceling registrations; approving, canceling and amending signatures with the Chamber of Commerce; managing business; and contacting Civil Defense;

with regard to (public companies and institutions), contacting the Saudi Council of Engineers and private companies and institutions; and contacting insurance companies and subscribing to their services and contacting their branches, departments and divisions;

with regard to (banks), contacting all banks; opening accounts and approving the signature; withdrawing from and depositing into accounts; transferring from accounts; updating accounts in foreign or local currency; issuing, requesting and receiving ATM cards, as well as the pin codes thereto and using the same; issuing, requesting and receiving credits cards, as well as the pin codes thereto and using the same; obtaining bank statements; requesting, receiving and using checkbooks; issuing, signing and receiving certified checks; receiving and disbursing remittances; requesting bank loans and accepting their terms, conditions and prices; signing contracts, forms, pledges, and payment schedules; receiving and disposing of loans; requesting loan exemptions; rescheduling installments; applying for a bank credit; signing contracts and forms; requesting a bank guarantee; signing, receiving and registering the guarantee; activating accounts; cashing checks; objecting to checks; receiving returned checks; updating data; issuing, signing, endorsing, and cashing checks, bills, promissory notes, and other commercial papers; issuing securities of whatever type; conducting all banking transactions necessary for the Company's activity; providing sponsorships to any party when the Board, at its absolute discretion, deems this in the interest of the Company; applying for, managing and canceling e-services; and delegating powers to third parties;

with regard to (real estate and lands), selling and transferring to buyers; acknowledging receipt of the price in the name of the Company; purchasing, accepting transfers and paying the price in the name of the Company; mortgaging and redeeming mortgages; consolidating deeds; partitioning and subdividing; taking possession of deeds; inquiring about real estate; waving the right as to any land shortages; converting agricultural lands into residential, commercial, or industrial lands or vice versa in the name of the Company; amending the name of the owner and the national identity number; amending boundaries, lengths and surface areas, parcel numbers, plans, deeds, dates and names of districts; entering into leases in the name of the Company, signing and renewing leases in the name of the Company; and collecting rent by check in the name of the Company;

with regard to (secretariats and municipalities), opening stores; obtaining, renewing, canceling and transferring permits; obtaining construction and renovation permits; obtaining construction completion certificates; planning lands; obtaining health cards; and converting lands into residential, commercial, agricultural or industrial lands;

with regard to (passports), obtaining and renewing residency permits; obtaining replacement residency permits in lieu of lost or damaged ones; obtaining entry and exit visas; obtaining final exit visas; transferring sponsorships; transferring and updating data; amending occupations; settling and waiving workers; reporting on escapees and canceling escapee reports; canceling exit and re-entry visas; canceling final exit visas, issuing travel visas in lieu of lost or damaged ones; issuing extensions of visit visas; adding dependents; concluding deceased worker formalities; obtaining employee printouts; terminating labor relationships; contacting the Deportation and Expatriates Department and the Department of Border Affairs, obtaining repatriation certificates, and issuing Hajj permits;

with regard to the (Labor Office), obtaining visas in the name of the Company, receiving visa refunds; transferring sponsorships; changing occupations; updating worker data; settling and terminating labor relationships; reporting on escapee workers; canceling escapee reports; obtaining and renewing work permits; concluding labor procedures with GOSI; contacting the human resources computer department to remove or add workers; obtaining printouts; opening, renewing and canceling main and sub-dossiers; transferring, canceling transfer of, and liquidating establishments; and contacting the civil recruitment offices section;

with regard to the (recruitment office), obtaining and canceling visas; receiving visa refunds; amending nationalities; issuing family visit visas; obtaining family recruitment visas; amending professions in visas; extending exit and re-entry visas; extending visit visas, obtaining printouts;

with regard to (recruitment of workers under a visa), recruiting workers from abroad;

with regard to (security authorities), contacting the Emirate, Civil Judgment Enforcement Division, police stations, Roads Security Command, General Administration of Mujahideen, State Security, General Directorate of Narcotics Control, General Directorate of Prisons, and General Directorate of Civil Defense, and their respective divisions and departments;

with regard to (ministries), contacting the Royal Court, the Ministry of Justice, the Ministry of Interior, the Ministry of Foreign Affairs, the Ministry of Defense, the Ministry of Commerce, the Ministry of Investment, the Trademarks Department, the Commercial Agencies Department, the Quality and Precious Metals Department, the Free Profession Department; issuing a certificate of origin; requesting a customs exemption, contacting the Ministry of Finance, the Ministry of Environment, Water and Agriculture, the directorates of agriculture; obtaining licenses for drilling a well; contacting the fisheries sector, the livestock sector, the Ministry of Labor, the Ministry of Municipal and Rural Affairs, the Ministry of Health, health departments, private and governmental hospitals; requesting and receiving medical reports; and contacting the Ministry of Culture, the Ministry of Media, the Ministry of Islamic Affairs, Dawah and Guidance, the Ministry of Housing, the Ministry of Energy, Industry and Mineral Resources, the Water and Sewerage Authority, the Transport Ministry, the Ministry of Hajj and Umrah, the Ministry of Communications and Information Technology, the Ministry of Economy and Planning, the Ministry of National Guard, the Ministry of Tourism, the Ministry of Sports, and their branches and respective departments and divisions;

with regard to (government institutions), contacting the Saudi Central Bank (formerly the Saudi Arabian Monetary Authority) (SAMA), the Technical and Vocational Training Corporation, the Saudi Ports Authority, the Saudi Railways Organization, the King Fahd Causeway Authority, King Abdulaziz City for Science and Technology (KACST), the Grain Silos and Flour Mills Organization (currently SAGO), the Public Pension Agency (PPA), Saudi Arabian Airlines, the Saline Water Conversion Corporation (SWCC), and the General Organization for Social Insurance (GOSI), and their branches and respective departments and divisions;

with regard to (government agencies), contacting the Saudi Authority for Intellectual Property (SAIP), the Control and Investigation Board, the Public Prosecution, the Capital Market Authority, the Saudi Standards, Metrology and Quality Organization (SASO), the Saudi Commission for Healthcare Specialties, the Saudi Food and Drug Authority (SFDA), the Saudi Commission for Tourism and National Heritage (SCTH), the National Anti-Corruption Commission, the Saudi Authority for Industrial Cities and Technology Zones, the Royal Commission for Jubail and Yanbu, the General Authority of Civil Aviation, the High Commission for the Development of Arriyadh, the Development Commission of Makkah Al Mukarramah and Mashaaer (DCOMM), the Madinah Development Authority, the Communications and Information Technology Commission (CITC), the Zakat, Tax and Customs Authority, the Saudi Broadcasting Authority, the General Entertainment Authority, and their branches and respective departments and divisions;

with regard to (government presidencies), contacting the General Presidency of the Grand Mosque and the Prophet's Mosque, the General Presidency of Scholarly Research and Ifta, the General Presidency of Meteorology and Environment Protection (GPMEP), the General Presidency of the Commission for the Promotion of Virtue and Prevention of Vice, and their branches and respective departments and divisions;

with regard to the (Real Estate Development Fund (REDF)), applying for a loan in the name of the Company; receiving all payments in the name of the Company; signing the contract with REDF; transferring the loan; requesting a loan exemption; requesting the absence of any financial obligations; refunding an amount; cashing checks in the name of the Company; and repaying the loan;

with regard to the (Agricultural Development Fund (ADF)), applying for a loan; entering into contracts with ADF; providing guarantors and working jointly with them; receiving the loan in the name of the Company; waiving the loan; requesting a loan exemption; and repaying the loan;

with regard to the (Industrial Development Fund (SIDF)), applying for a loan in the name of the Company; entering into contracts with SIDF in the name of the Company; providing guarantors and working jointly with them; signing before the notary in respect of industrial mortgage; mortgaging the assets and properties of the Company to the SIDF against the loan before the notary; receiving the loan in the name of the Company; waiving the loan; requesting a loan exemption; requesting the absence of any financial obligations; and repaying the loan;

with regard to the (Human Resources Development Fund (HRDF)), applying for a loan; entering into contracts with HRDF; receiving the loan in the name of the Company; requesting a loan exemption; requesting the absence of any financial obligations; and repaying the loan;

with regard to the (Social Development Bank (SDB)), applying for a loan; receiving the loan in the name of the Company; requesting the absence of any financial obligations; requesting a loan exemption; and repaying the loan;

with regard to (Saudi Customs), applying for and renewing customs licenses; transferring and canceling customs licenses and establishing branches therefor; clearing, inspecting and checking merchandise; paying fees and receiving customs clearances and cards; amending and obtaining replacement customs cards in lieu of lost ones; and managing and supervising licenses;

with regard to (telecommunications companies), contacting all telecommunications companies, issuing mobile SIM cards; obtaining replacement mobile SIM cards in lieu of damaged and lost ones; waiving and canceling mobile SIM cards; transferring mobile SIM cards; requesting installation of landline telephones; transferring landline telephones; canceling and waiving landline telephones; and applying for all services provided by telecommunications companies;

with regard to the (Saudi Electricity Company (SEC)), requesting the installation of electricity meters; requesting meter transfer; and applying for meter empowerment;

with regard to the (National Water Company (NWC)), requesting the installation of water meters; requesting meter inspection; requesting the waste water bill; and objecting to fines; and

with regard to the (post), applying for a P.O. Box; receiving the P.O. Box key; receiving registered mail; obtaining an authorization card for the P.O. Box; renewing or canceling the subscription to the P.O. Box; and completing all necessary procedures; and signing the required documents.

- 2- Representing the Company in its relationship with labor offices, arbitral tribunals, civil rights authorities, police departments, chambers of commerce and industry, private bodies, companies, banks, commercial banks, all government funds and financing institutions of all designations and competence, and financial institutions of all kinds, as well as other lenders.

- 3- Concluding all contracts and agreements, including without limitation, contracts of purchase, sale, rental, lease, agencies, franchise, financial hedging contracts and other documents, contracts, transactions and deals on behalf of the Company, and entering into tenders on its behalf.
- 4- Discharging the Company's debtors from their obligations, provided that the minutes of the Board meeting and the reasons given for its decision observe the following:
 - 1- discharge must be after the lapse of at least one (1) year from the establishment of the debt;
 - 2- discharge must be for a specified maximum amount for each year for each debtor; and
 - 3- discharge is a right to be wielded only by the Board and shall not be delegated to any person.
- 5- Preparing the Board's internal regulations.
- 6- Appointing a Board Secretary based on the recommendation of the Chairman.
- 7- Approving the internal, financial, administrative and technical regulations of the Company, in addition to employee policies and regulations.
- 8- Authorizing the Company's management officials to sign on behalf of the Company within the limits of its authorities.
- 9- Approving the establishment of subsidiaries, branches, offices and agencies of the Company, holding shares in any of the companies, and signing its articles of association, and restatements and annexes thereof.
- 10- Adopting the Company's business plan, and approving its plans, operational budgets, and annual capital budgets.
- 11- The Board of Directors may, within the limits of its authorities, deputize one or more Directors or third parties to sell an asset of the Company, subject to the following:
 - 1- the Board shall specify the justification for such action in its resolution;
 - 2- the sale shall be roughly comparable to the equivalent price;
 - 3- the payment of the price for such transaction shall not be deferred except in certain cases and with sufficient guarantees; and
 - 4- such action shall not cause the Company to discontinue some of its activities or incur other liabilities.

The Board of Directors may, within the limits of its authorities, deputize one or more Directors or third parties to carry out a specific functions or multiple functions falling within its authorities.

E. Powers of the Chairman, Vice Chairman, Managing Director and Secretary

The Board of Directors shall appoint from among its members a Chairman and Vice Chairman. The Board of Directors may also appoint a Managing Director from among its members. A Director may not concurrently assume the Chairman's position and any other executive position in the Company.

The Chairman shall have the following authorities:

- 1- Representing the Assembly before others and acting on its behalf in contacting official and non-official bodies in the Kingdom and abroad.
- 2- Chairing meetings of the General Assembly and the Board of Directors.
- 3- Calling meetings of the Ordinary General Assembly.
- 4- Receiving requests for holding Extraordinary General Assembly meetings from the Board of Directors and the General Assembly.
- 5- Announcing the opening, closure, suspension and adjournment of meetings.
- 6- Managing meetings, presenting discussion topics for a vote, and declaring closure of the discussion.
- 7- Appointing employees, if needed, and determining their salaries, subject to the approval of the Board of Directors.
- 8- Authorizing the distribution of circulars, periodicals, writings and research results according to a plan prepared by the Board of Directors.
- 9- Signing correspondence exchanged between the Assembly and the parties it deals with.
- 10- Representing the Company in its relations with third parties, government and private agencies, notaries, labor offices, higher and primary committees, the Committee for the Resolution of Securities Disputes, commissions for commercial papers, civil rights authorities, police departments, and chambers of commerce and industry.
- 11- Representing the Company before the judiciary, arbitral tribunals, third parties and all other judicial committees with regard to filing claims and lawsuits; pleading and defending; litigating, providing clearances, and conciliating; holding others accountable, dividing, and sorting; taking, accepting, and rejecting the oath; abandoning litigation; accepting, receiving, denying, objecting to, and appealing judgments, hearing and responding to lawsuits; settling; denying; reconciling; waiving; discharging; presenting witnesses and evidence

and challenging the same; responding, impeaching and amending; claiming forgery; rejecting documents, seals and signatures; requesting and lifting travel bans; requesting foreclosure and enforcement; agreeing to make recourse to arbitration; requesting arbitration; appointing experts and arbitrators; challenging the reports of experts and arbitrators, as well as dismissing and replacing such experts and arbitrators; filing a nullity action; requesting the implementation of Article 230 of the Law of Procedure before Sharia Courts; requesting the enforcement of judgments, objecting to such judgments, and receiving the proceeds from the enforcement of these judgments in the name of the Company; accepting, denying, objecting to and appealing judgments; seeking reconsideration; requesting restitution and pre-emption; concluding all necessary measures and attending hearings in all cases before all courts; receiving judgment instruments; requesting the dismissal of the judge; requesting interposition and intervention; waiving all rights and lawsuits on behalf of the Company; waiving a judgment, in whole or in part, or by way of appealing it, lifting interdiction, dropping mortgages while sustaining the debt, claiming forgery, recusing judges, or appointing and dismissing experts, and signing necessary documents before all Sharia courts, Administrative Courts (Board of Grievances), labor offices; Committees for the Settlement of Financial Disputes, Committees for Settlement of Banking Disputes, Committees for the Resolution of Securities Disputes, Committees for the Settlement of Commercial Disputes, Customs and Commercial Fraud Committees, the Control and Investigation Board, and the Bureau of Investigation and Public Prosecution; and contacting all relevant authorities and completing all necessary procedures and signing all required documents; the Board has the right to delegate all or some of the above powers to third parties, which may also delegate these powers to others, or dismiss others.

The Managing Director may act as the Board's agent in implementing Board resolutions and managing the affairs of the Company. The Chairman may delegate all or some of the powers provided thereto in Article 23 of the Company's Bylaws to the Managing Director to run the Company's business, except for the power pertaining to representation before judicial authorities and bodies.

Pursuant to a Board Resolution, the Board may, at its discretion, determine special remuneration given to the Chairman and the Managing Director.

The Board shall appoint a Secretary, whether from among the Directors or otherwise. The Secretary shall carry out the following duties:

- 1- Preparing the agenda of the Board and General Assembly.
- 2- Coordinating with Executive Management with regard to adding topics that the Executive Management or Chairman believe should be added to the agenda of any meeting of the Board or General Assembly.
- 3- Preparing invitations and adopting the necessary procedures relating to meetings of the General Assembly and the Board, and drafting the meeting minutes and recording and saving them in the relevant records.
- 4- Receiving the Board's messages and submitting them to the Board or the Chairman, as the case may be.
- 5- Following-up on Board resolutions.
- 6- Organizing clerical work, records and document keeping.
- 7- Submitting reports to the Board for consideration.
- 8- Circulating the resolutions that the Board decides to circulate and publish.
- 9- Presenting membership applications to the Board.
- 10- Preparing the annual report and submitting it to the Board preliminary to presentation to the General Assembly.

The term of office of the Chairman, the CEO and the Secretary, if the Secretary is a Director, shall not exceed their respective terms of service as Director. They may be re-elected and the Board may at any time dismiss any of them without prejudice to their right to compensation if the dismissal was for illegitimate reasons or at an inappropriate time.

F. Remuneration of Directors

Remuneration of the Board of Directors shall be subject to the limits stipulated by the provisions of the Companies Law, the regulations thereof and Article 47 of the Company's Bylaws. The Board's report to the Ordinary General Assembly shall contain a comprehensive statement of all remunerations, allowances and other benefits received by the Directors during the financial year. Such report shall also include a statement of the earnings of the Directors in their capacities as employees or executives of the Company and their earnings for any technical, administrative or advisory work provided for the Company. The report shall also include a statement of the number of meetings of the Board and the number of meetings attended by each Director from the date of the last meeting of the Ordinary General Assembly.

G. Board Meetings

The Board of Directors shall meet at least four (4) times a year, at the invitation of the Chairman. The invitation shall include the agenda. The Chairman shall call the Board to meet whenever requested by two Directors. Board meetings

shall be held at the head office of the Company or any other place as determined by the Chairman. The Board may invite anyone it deems fit to attend its meetings to provide their input and experience, without having the right to vote. Board meetings may be held and Directors may participate in its deliberations and vote on its resolutions by means of modern technology, subject to the relevant regulations.

H. Quorum of Board Meetings

A Board meeting shall be quorate only if attended by at least five (5) Directors. A Director may authorize another Director to attend the Board meeting, in accordance with the following controls:

- 1- a Director may not represent more than one Director in the same meeting;
- 2- the proxy shall be made in writing; and
- 3- the deputy may not vote on resolutions on which the principal is prohibited from voting by law.

A Director may attend Board meetings by means of modern technology (such as telephone or video calling).

The Board's resolutions shall be adopted with the approval of the majority of the Directors present. In the event of a tie, the chairman shall have the casting vote.

I. Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the Directors present and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

J. Audit Committee

An audit committee shall be formed consisting of three (3) non-executive directors, whether shareholders or others, under a resolution adopted by Ordinary General Assembly. Such resolution shall include the committee's duties, responsibilities, and the remunerations of its members.

K. Quorum of Audit Committee Meetings

Meetings of the Audit committee shall be valid if attended by majority of its members. Resolutions shall be adopted by a majority vote of the members present. In the event of a tie, the head of the committee shall have the casting vote.

L. Competences of the Audit Committee

The Audit Committee shall oversee the affairs of the Company. For such purpose, the Committee has the right to review all Company records and documents and request any explanations or statements from the Directors or the Executive Management. The Committee may request that the Board call for a meeting of the General Assembly if the Board obstructs its course of work or the Company suffers serious damage or losses.

M. Audit Committee Reports

The Audit Committee shall review and express its opinion, if any, on the Company's financial statements and the reports and notes provided by the Auditor. It shall also prepare a report on its opinion with respect to the sufficiency of the Company's internal control system, along with other activities within its competence. The Board shall deposit enough copies of this report at the Company's head office at least 21 days prior to the date of the General Assembly meeting, to be provided to Shareholders who wish to have a copy of said report. The report shall be read out at the meeting.

N. Appointment of the Auditor

The Company shall have one or more auditors, selected from the auditors licensed to practice in the Kingdom. The Ordinary General Assembly shall appoint the auditor annually and determine its remuneration and the duration of its work. The Ordinary General Assembly may change this auditor at any time without prejudice to its right to compensation if such change was for an illegitimate reason or at an inappropriate time.

O. Powers of the Auditor

The auditor shall, at all times, have access to the Company's books, records and any other documents. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters within the scope of its activities. The Chairman of the Board shall enable the auditor to perform its duties. If the auditor encounters difficulties in this regard, it shall document this in a report to be submitted to the Board. If the Board does not facilitate the work of the auditor, the latter shall call a meeting of the Ordinary General Assembly to consider the matter.

P. Financial Year

The Company's financial year shall begin on January 1 and end on December 31 of each year.

Q. Financial Documents

- 1- At the end of each financial year, the Board shall prepare the Company's financial statements and a report of its activities and financial position for such financial year, including the proposed method of distributing the net profits. The Board of Directors shall put these documents at the disposal of the auditor at least forty-five (45) days prior to the date specified for the General Assembly.
- 2- The Chairman, CEO, and CFO shall sign the documents referred to in paragraph (1) of this Article. A copy thereof shall be deposited at the Company's head office at the disposal of Shareholders at least twenty-one (21) days before the date set for the General Assembly.
- 3- The Chairman shall provide the Shareholders with the Company's financial statements, the Board Report and the auditor's Report, unless they are published in a daily newspaper distributed at the Company's head office. Further, the Chairman shall also send a copy of these documents to the competent authorities at least fifteen (15) days before the date set for the General Assembly.

12-4-3 Rights and Restrictions Related to Securities

A. The Company's Capital

The Company's capital is set at one billion, two hundred million Saudi riyals (SAR 1,200,000,000), divided into one hundred twenty million (120,000,000) shares with an equal nominal value of ten Saudi riyals (SAR 10) each, all of which are ordinary in-kind shares.

B. Subscription to the Shares

The Shareholders have subscribed to the entire share capital amounting to one hundred twenty million (120,000,000) fully paid shares, with a total value of one billion, two hundred million Saudi riyals (SAR 1,200,000,000). The Partners declare their joint liability in their own funds towards any third parties, and that the capital of the Company amounting to one hundred million Saudi riyals (SAR 100,000,000) was paid in full before conversion. The capital increase of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) was fully covered by transferring an amount of one billion, one hundred million Saudi riyals (SAR 1,100,000,000) from the retained earnings account to the capital account, according to the statement of the Auditor, Ernst & Young & Co. (Certified Public Accountants), dated 13/03/1442H (corresponding to 30/09/2020G).

C. Sale of Non-Paid up Shares

- 1- Each Shareholder undertakes to pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay on time, the Board may, after notifying the Shareholder via registered mail, sell the shares in a public auction or stock exchange in accordance with controls set by the competent authority.
- 2- The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on all of the Shareholder's funds for the unpaid balance.
- 3- However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard.
- 4- The Company shall cancel the shares sold in accordance with this Article and issue new shares to the purchaser bearing the serial numbers of the canceled shares. An annotation to this effect shall be made in the Share Register specifying the name of the new Owner.

D. Shareholder Register

The Company's shares shall be traded by virtue of an entry made to the Shareholder Register maintained or outsourced by the Company, which shall include the Shareholders' names, nationalities, places of residence, and occupations as well as the numbers of the shares and the amounts paid up on such shares. An annotation shall be made on the share indicating said entry. In as far as the Company or third parties are concerned, the transfer of shares shall only be effective from the date of the entry in said register.

E. Share Certificates

The Company shall issue share certificates with serial numbers. The share certificates shall be signed by the Chairman of the Board of Directors, or by a Director authorized on the Chairman's behalf, and stamped with the Company's stamp. The share certificate shall, in particular, show the number and date of the Ministerial Resolution authorizing the conversion of the Company to a joint-stock company, the number and date of the Ministerial Resolution announcing

the conversion of the Company, the nominal value of the Shares, the amount paid, the Company's objectives in brief and its head office and term. The Shares may have coupons with serial numbers, and each coupon shall bear the number of the Share to which it is attached.

F. Trading of Shares

Shares subscribed for by the Founders may only be traded after publication of the financial statements for two financial years, each covering a period of at least twelve (12) months from the date of the resolution converting the Company, or after obtaining the approval of the competent authority. An annotation shall be made on the respective share certificates, indicating their class, the date of the Company's conversion, and the period during which their trading shall be suspended.

However, during the Lock-up Period, shares may, in accordance with the legal provisions on the sale of rights, be transferred from one Shareholder to another, or from the heirs of a deceased Shareholder to a third party, or if the funds of an insolvent or bankrupt Shareholder are seized, provided that the other Shareholders are given priority to acquire ownership of such shares.

The provisions of this Article shall also apply to shares that are subscribed for by Shareholders in the event of an increase of capital prior to the end of the Lock-up Period.

G. Distribution of Dividends

The Company's annual net profits shall be distributed as follows:

- 1- Ten percent (10%) of the net profits shall be set aside to form a statutory reserve. This may be discontinued by the Ordinary General Assembly when the statutory reserve totals 30% of the Company's capital.
- 2- The Ordinary General Assembly may, at the request of the Board, set aside 5% of the net profits to form an additional reserve to be allocated towards the purposes determined by the Assembly.
- 3- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees.
- 4- Out of the balance of the net profits, Shareholders shall receive a payment of no less than 10% of the Company's paid-up capital.
- 5- Subject to the provisions set forth in Article 22 of the Company's Bylaws and Article 76 of the Companies Law, the balance shall be allocated as remuneration for the Board of Directors, and such remuneration shall be proportionate to the number of sessions attended by each Director.
- 6- The Company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis based on a Board resolution if the Company's financial position so permits and liquidity is available, according to the procedures and controls set by the competent authority.

H. Entitlement to Dividends

Shareholders are entitled to their share of dividends under a resolution of the General Assembly issued in this regard. The resolution shall specify the date of entitlement and the date of distribution. Dividends shall be paid to the owners of shares recorded in the Shareholder Register at the end of the day on the entitlement date. Dividends set for distribution to Shareholders shall be paid at the location, on the dates and through the mechanisms specified by the Board of Directors, in accordance with the instructions issued by the competent authority.

I. Liability Action

Each Shareholder has the right to file a liability action, vested in the Company, against the Directors if an error made thereby caused said shareholder to sustain damages. Such liability action may only be filed by the shareholder if the Company's right to file such action remains valid. The Shareholder shall notify the Company of its intention to file such action.

12-4-4 Amendment of Share Rights or Classes

A. Issuance of Shares

The shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than said nominal value; in which case, the difference in value shall be added as a separate item relating to the shareholders' equity, and may not be distributed as shareholder dividends. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to said share, and shall be jointly responsible for the obligations arising from ownership of such share.

B. Increase of Capital

- 1- The Extraordinary General Assembly may decide to increase the capital of the Company, provided that the share capital has been paid up in full. This provision shall not apply when the unpaid portion of share capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.
- 2- In any case, the Extraordinary General Assembly may allocate capital increase shares or portions thereof to the employees of the Company and to the employees of all or some of its subsidiaries, or any of them. Shareholders may not exercise preemptive rights when the Company issues shares allocated to employees.
- 3- Shareholders who own shares at the time the Extraordinary General Assembly adopts a resolution approving the increase of the share capital shall have preemptive rights to subscribe for the new shares, in exchange for cash contributions. Shareholders shall be notified of their preemptive rights by publication in a daily newspaper or by registered mail informing them of the capital increase resolution and the terms, duration and start and end dates of the Offering.
- 4- The Extraordinary General Assembly may suspend the Shareholders' pre-emptive right to subscribe for the capital increase against contributions in cash or may give priority to non-shareholders as it deems appropriate for the Company.
- 5- Shareholders may sell or assign their preemptive rights during the period from the date of the General Assembly resolution approving the capital increase until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority.
- 6- Without prejudice to the provisions of paragraph 4 hereof, new shares shall be allotted to the holders of preemptive rights who have expressed interest in subscribing thereto, in proportion to their preemptive rights resulting from the share capital increase, provided that their allotment does not exceed the number of new shares they have applied for. Remaining new shares shall be allotted to preemptive right holders who have asked for more than their proportionate stake, in proportion to their preemptive rights resulting from the share capital increase, provided that their total allotment does not exceed the number of new shares they have requested. Any remaining new shares shall be offered to third parties, unless the Extraordinary General Assembly decides, or the Capital Market Law provides, otherwise.

C. Decrease of Capital

The Extraordinary General Assembly may decide to decrease the capital if it is in excess of the Company's needs or if the Company sustains losses. The capital may, in the latter case only, be decreased to less than the limit stipulated in Article 54 of the Companies Law. Resolutions to decrease the share capital shall be issued only after reading the Auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the share capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the share capital decrease resolution in a daily newspaper distributed in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

D. Bonds and Sukuk

- 1- The Company may issue negotiable and indivisible debt instruments or financing sukuk of equal value, in compliance with Sharia provisions and in accordance with the Companies Law.
- 2- Under a resolution of the Extraordinary General Assembly and in accordance with the Capital Market Law and other relevant laws and regulations, the Company may issue any type of tradable debt instruments, in Saudi Arabian currency or otherwise, within or outside the Kingdom of Saudi Arabia, such as bonds and sukuk. The Extraordinary General Assembly may authorize the Board to issue these debt instruments, including bonds and sukuk, whether such instruments have been issued at the same time or through a series of issues, or through one or more programs established by the Board of Directors from time to time. In any case, the issue shall be made at such times and amounts and on such terms as may be approved by the Board, and in compliance with Sharia provisions. The Board shall have the right to take all necessary actions in this regard.
- 3- The Company may issue debt or financing instruments convertible into shares after a resolution is made by the Extraordinary General Assembly specifying the maximum number of shares which may be issued in return for such instruments or sukuk, whether they are issued at the same time, in a series of issues, or in one or more programs to issue debt instruments or financing instruments. The Board of Directors may, without the need for a new approval by the Extraordinary General Assembly, issue new shares against these instruments or sukuk, the holders of which ask to convert immediately after the end of the conversion request period set for the holders of these instruments. The Board of Directors shall announce the completion of the procedures of every capital increase in the manner specified in the Company's Bylaws for announcing Extraordinary General Assembly Resolutions. In all cases, Sharia provisions shall be observed.

12-4-5 General Assemblies

A. Attendance of Assemblies

Subscribers, regardless of the number of shares held, shall have the right to attend the Conversion Assembly, and each Shareholder shall have the right to attend General Assembly meetings. They may also authorize a third party, who is not a Director or employee of the Company, to attend the General Assembly on their behalf.

B. Conversion Assembly

The Founders shall invite subscribers to a Conversion Assembly within forty-five (45) days from the date of the Ministry's resolution authorizing the conversion. The meeting shall be valid if attended by a number of subscribers representing at least half of the capital. If such quorum is not reached, then a second meeting shall be held one hour after the end of the period specified for the first meeting, provided that the invitation to the first meeting so stipulates.

In all cases, the second meeting shall be valid regardless of the number of Subscribers represented therein.

C. Powers of the Conversion Assembly

The Conversion Assembly shall have the powers set out in Article 63 of the Companies Law.

D. Powers of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within the six (6) months following the end of the Company's financial year. Additional Ordinary General Assembly meetings may be convened whenever needed.

E. Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the following powers:

- 1- Amend the Company's Bylaws, except for those items whose amendment is prohibited under the law.
- 2- Decide to increase the capital of the Company, provided that the share capital has been paid up in full. This provision shall not apply when the unpaid portion of share capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.
- 3- Decide to decrease the capital if it is in excess of the Company's needs or if the Company sustains losses. The capital may, in the latter case only, be decreased to less than the limit stipulated in Article 54 of the Companies Law. Resolutions to decrease the share capital shall be issued only after reading the Auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.
- 4- Resolve to form a consensual reserve for the Company to be set aside for a specific purpose, and dispose thereof.
- 5- Resolve to maintain or liquidate the Company before the end of the term specified in its Bylaws, in accordance with Section 12.4.6(b) of this Prospectus.
- 6- Approve a buy-back of the Company's shares.
- 7- Issue preferred shares or approve their purchase, or convert ordinary shares into preferred shares or convert preferred shares into ordinary shares, in accordance with the Regulatory Rules and Procedures issued.
- 8- Issue debt instruments or financing deeds convertible into shares, and state the maximum number of shares that may be issued against these instruments or deeds.
- 9- Allocate capital increase shares or portions thereof to employees of the Company and to employees of all or some of its subsidiaries, or any of them. Shareholders may not exercise preemptive rights when the Company issues shares allocated to employees.
- 10- Suspend the Shareholders' pre-emptive right to subscribe for a capital increase against contributions in cash or give priority to non-shareholders as it deems appropriate for the Company.

The Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, under the same rules and conditions applicable thereto.

F. Convening General Assemblies

Public or private shareholder assemblies shall be convened at the invitation of the Board. The Board shall convene a General Assembly, if requested to do so by the Auditor, the Audit Committee, or a number of shareholders representing at least five percent (5%) of the Company's capital. The Auditor may call for a meeting of the General Assembly if the Board fails to do so within 30 days from the date of the Auditor's request.

The invitation to the General Assembly must be published in a daily newspaper distributed at the Company's head office at least twenty-one (21) days prior to the date set for the meeting. However, it is also sufficient to send the invitation to all Shareholders by registered letter by the designated date. A copy of the invitation and agenda are to be sent to the competent authority within the period specified for publication.

G. Record of Attendance at General Assemblies

Shareholders who wish to attend public and private assemblies shall register their names at the Company's head office before the time set for the meeting.

H. Quorum of Ordinary General Assemblies

Meetings of the Ordinary General Assembly shall only be valid if attended by Shareholders representing at least 50% of the Company's capital. If such quorum is not met at the first meeting, a second meeting shall be convened one hour after the end of the period set for the first meeting, provided that the invitation to the first meeting mentions the possibility of holding a second meeting. If the first invitation does not include the possibility of holding this meeting, an invitation to a second meeting to be held within the thirty days following the previous meeting shall be sent. This invitation shall be sent in the manner set out in Article 32 of the Company's Bylaws.

In any case, the second meeting shall be deemed valid irrespective of the number of shares represented therein.

I. Quorum of Extraordinary General Assemblies

Meetings of the Extraordinary General Assembly shall only be valid if attended by Shareholders representing at least 50% of the Company's capital. If such quorum is not met at the first meeting, a second meeting shall be convened one hour after the end of the period set for the first meeting, provided that the invitation to the first meeting mentions the possibility of holding a second meeting. If the first invitation does not include the possibility of holding this meeting, an invitation to a second meeting to be held within the thirty days following the previous meeting shall be sent. This invitation shall be sent in the manner set out in Article 32 of the Company's Bylaws.

In all cases, the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's share capital.

If the required quorum is not met in the second meeting, an invitation to a third meeting shall be sent in accordance with Article 32 of the Company's Bylaws. The third meeting shall be deemed valid irrespective of the number of shares represented therein, upon the approval of the competent authority.

J. Voting at Assemblies

Each subscriber shall have a vote for every share represented thereby in the Conversion Assembly, and each Shareholder shall have a vote for every share represented thereby in General Assemblies. Cumulative voting shall be used to elect the Board of Directors.

K. Assembly Resolutions

Resolutions of the Conversion Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be issued by an absolute majority of the shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to the increase or decrease of the share capital, extension of the Company's term, dissolution of the Company prior to the expiry of the term specified under the Bylaws or merger of the Company with another company, then such resolution shall be valid only if adopted by a majority vote of three-quarters (3/4) of the Shares represented at the meeting.

L. Assembly Deliberations

Each Shareholder shall have the right to discuss the items listed in the Assembly's agenda and to direct questions with respect thereto to the Directors and the Auditor. The Directors or the Auditor shall answer the Shareholders' questions in a manner that is not prejudicial to the Company's interest. If a Shareholder deems the answer to a question unsatisfactory, then such Shareholder may refer the issue to the Assembly and its decision in this regard shall be conclusive.

M. Chairmanship of Assembly Meetings and Preparation of Meeting Minutes

Meetings of the General Assembly of Shareholders shall be presided over by the Chairman or the Vice Chairman, in the Chairman's absence, or a Director appointed by the board, in the event of the absence of the Chairman and the Vice Chairman.

Minutes shall be drawn up for the meeting which shall include the names of the Shareholders present in person or represented by proxy, the number of Shares held by each, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting with such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register and shall be signed by the Chairman, the Secretary and the canvasser.

12-4-6 Liquidation and Dissolution of the Company

A. Company Losses

- 1- If, at any time during the financial year, the Company's losses total half of its paid-up capital, then any Company official or the Auditor, upon becoming aware of such losses, must inform the Chairman. The Chairman shall immediately inform the Directors, who, within fifteen (15) days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be held within forty-five (45) days of the date they were informed of the losses, to consider whether to increase or decrease the Company's capital, in accordance with the provisions of the Companies Law, in order to render losses equal to less than half of the paid-up capital, or dissolve the Company prior to the end of its term, as defined in the Companies Law.
- 2- The Company shall be deemed dissolved under the Companies Law if its General Assembly does not convene within the period specified in Paragraph 1 above, or if it does convene but fails to reach a resolution in that regard, or if it resolves to increase the capital as per the conditions set forth above but the capital increase is not subscribed to in full within ninety (90) days of the Assembly's resolution to increase the capital.

B. Winding-up of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify its powers, fees, any restrictions on its powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years (5) and may not be further extended without a judicial order. The authority of the Board shall cease upon the dissolution of the Company; however, the Board shall remain responsible for the management of the Company and shall be deemed liquidators towards third parties, until a liquidator is appointed. Shareholders' Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising those competencies that do not conflict with those of the liquidator.

12-4-7 Description of the Rights of Shareholders

A. Voting Rights

Each subscriber shall have a vote for every share represented thereby in the Conversion Assembly and each Shareholder shall have a vote for every share represented thereby in General Assemblies. Cumulative voting shall be used to elect the Board of Directors.

B. Rights to Dividends

Shareholders are entitled to their share of dividends under a resolution of the General Assembly issued in this regard. The resolution shall specify the maturity date and the distribution date. Dividends shall be provided to the owners of shares recorded in the Shareholder Register at the end of the day on the maturity date. The dividends that are to be allocated to Shareholders shall be paid up at the place and time specified by the Board of Directors in accordance with the regulations issued by the competent authority.

C. Rights of Recovery or Repurchase

- 1- The Company may purchase or pledge its shares in accordance with controls imposed by the competent authority; however, shares purchased by the Company shall not entitle it to vote in shareholders' assemblies.
- 2- The Company may purchase its shares for the purpose of allocating them to its employees as part of the Employee Stock Ownership Plan in accordance with controls imposed by the competent authority. The Company may also sell treasury shares in one or several stages in accordance with the controls established by the competent authority.

D. Rights to Surplus Assets upon Liquidation and Dissolution

Pursuant to Article 163 of the Companies Law, shares shall entail equal rights to net profit and liquidation surplus, unless the Articles of Incorporation stipulate otherwise.

E. Approvals Necessary to Amend Voting Rights

The Company's Bylaws shall be amended to modify the rights and mechanism for voting in the Company's General Assemblies. In accordance with Article 31 of the Company's Bylaws, the Bylaws may be amended by the Extraordinary General Assembly. Meetings of the Extraordinary General Assembly shall only be valid if attended by Shareholders representing at least half of the Company's capital. If such quorum is not met at the first meeting, a second meeting shall be convened one hour after the end of the period set for the first meeting, provided that the invitation to the first meeting mentions the possibility of holding a second meeting. If the first invitation does not include the possibility of holding this meeting, an invitation to a second meeting to be held within the thirty days following the previous meeting shall be sent. This invitation shall be sent in the manner set out in Article 32 of the Company's Bylaws. In all cases, the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's share capital. If the required quorum is not met in the second meeting, an invitation to a third meeting shall be sent in accordance with Article 32 of the Company's Bylaws. The third meeting shall be deemed valid irrespective of the number of shares represented therein, upon the approval of the competent authority. Resolutions of the Extraordinary General Assembly to amend the Bylaws shall be issued by a majority vote of two-thirds of the shares represented at the meeting.

12-5 Material Agreements

The Company has entered into a number of material agreements and contracts with a number of parties, and this section provides a summary of the licenses that the Directors believe are material in relation to the Company's business or may affect the investors' decision to subscribe to the Offer Shares. The summary of agreements and contracts referred to below does not cover all terms and conditions and cannot be considered a substitute for the terms and conditions of these agreements.

12-5-1 Agreements with stc and its Subsidiaries

The Company has entered into fifteen (15) material agreements with stc, including agreements with stc as a customer of the Company, agreements with stc as a supplier of the Company, and agreements with stc to work together to provide services to customers, in which stc subcontracts the Company, as well as a license agreement to use the Company's Trademark. These agreements include all of the following:

- Material agreements with stc as a customer of the Company:
 - Framework Agreement.
 - Master Purchase Agreement.
 - Service Support Agreement.
 - Framework Agreement for the Implementation of Core NR 2021.
 - Framework Agreement for the Implementation of Data Cybersecurity Tools.
- Material agreements with stc as a supplier of the Company:
 - Wholesale Agreement.
 - Bulk SMS Agreement
- Material agreements with stc to work together to provide services to customers:
 - Cloud and Managed Services Agreement.
 - Managed and Digital Services Agreement.
 - DIA service Agreement .
 - Smart Homes Service Supply Agreement.
 - VSAT Services Agreement.
 - AAmal Net Agreement.
 - Subcontract Framework Agreement.
- Company's Trademark License Agreement.

The Company has also entered into nine (9) agreements with stc's subsidiaries, which include the following agreements:

- Subcontract Framework Agreement with stc Specialized.
- Agreement for the Provision of Technical Support and Assistance for the Implementation of Services and Tasks with stc Specialized.

- Framework Agreement for Supply of IT Products and Services with Telecommunication Tower Co. Ltd.
- System and Service Supply Agreement with Telecommunication Tower Co. Ltd.
- Service Support Agreement with Telecommunication Tower Co. Ltd.
- Project Management Service and Operational Business Solution Agreement with stc Channels.
- Cybersecurity Services Agreement with stc Channels.
- Agreement for Delivery of Operating Services with stc Channels.
- Operation and Services Agreement with Advanced Technology and Cybersecurity Company.

For further details about agreements with stc and its subsidiaries, see Section 12.5.1 **“Agreements with stc and its Subsidiaries”** of this Prospectus.

12-5-2 Client Agreements

The Company has entered into nineteen (19) material agreements with private and public customers, of which the framework agreements represent only three (3) agreements. The total value of the other sixteen (16) agreements amounts to two billion, ninety-six million, six hundred thirty thousand, six hundred eighteen Saudi riyals (SAR 2,096,630,618). Under these agreements, the Company provides its services or products to these customers. Below is a summary of these agreements:

A. General Service Agreement with a Listed Company

The Company entered into a general service agreement with a listed company, effective as of 07/06/1441H (corresponding to 01/02/2020G), pursuant to which the Company supplies, installs and operates the following:

- seismic data processing resources (a hyper-discovery computer) to enable the listed company to process data; and
- a hyper-discovery computer facility including land, infrastructure, utilities, security, fire-fighting, and any other structure or service for the purpose of safe housing and efficient operation of a hyper-discovery computer.

This agreement is effective until 01/08/1446H (corresponding to 31/01/2025G). The listed company may extend this agreement for one year by a written notice to the Company thirty (30) days before the expiry of the current term of the agreement. The total value of the agreement amounts to six hundred ninety-six million, one hundred eighty-seven thousand, one hundred fifty-two Saudi riyals and sixty-nine halalas (SAR 696,187,152.69).

The listed company shall pay to the Company:

- a monthly rent of eleven million, forty-seven thousand, four hundred sixty-five Saudi riyals (SAR 11,047,465) for the supply, installation, maintenance and control of a hyper-discovery computer, and remote computing facilities and programs; and
- fees based on work and pre-determined time units, or the total value of any purchase order issued under the agreement, as determined by the listed company at its discretion.

The listed company may terminate this agreement or any part of the scope of work by a written notice specifying the effective date of termination, with no need to give reasons for the termination. If the listed company exercises its right to terminate the agreement without cause, it shall pay to the Company all amounts due and payable for the activities that have been performed until the date of termination. This agreement does not contain any exclusive arrangements between the parties and the listed company is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any dispute arising out of this agreement shall be settled through arbitration in accordance with UNCITRAL Arbitration Rules, and arbitration shall take place in Khobar, KSA.

B. Administrative Support Service Contract with a Government Agency

The Company entered into an administrative support service contract with a government agency, whereby the Company provides administrative support with experienced and efficient resources. The contract was subsequently amended on 27/7/1442H (corresponding to 11/03/2020G).

The contract is effective as of the date it was signed by the parties on 05/06/1440H (corresponding to 10/02/2019G) for three (3) Gregorian years. The contract does not contain any renewal clauses. The government agency shall pay to the Company an amount not exceeding two hundred ninety-five million Saudi riyals (SAR 295,000,000) per year, i.e., an amount of not more than eight hundred eighty-five million Saudi riyals (SAR 885,000,000) for the entire term of the contract. This contract does not contain any exclusive arrangements between the parties and the government agency is not subject to minimum obligations under this contract. The agreement has been amended to transfer the surplus amount of one hundred eleven million, five hundred thirty-eight thousand, one hundred eighty-nine Saudi riyals (SAR 111,538,189) to the remaining two years.

The government agency may, of its own will, terminate the contract at any time without providing reasons, by giving the second party a written notice thirty (30) days prior to the date it desires to terminate the contract. In case of termination for any reason, the government agency shall pay the remaining amounts payable to the Company according to the actual work completed to date.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising under the contract that cannot be resolved amicably shall be settled by the competent courts of the Kingdom.

C. Supply Contract with a Government Agency

On 04/04/1441H (corresponding to 01/12/2019G), the Company entered into a supply contract with a government agency, whereby the Company provides certain equipment to the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is sixty (60) months, effective as of the date the site is handed over to the Company on 19/01/1441H (corresponding to 18/09/2019G). The government agency shall pay to the Company the amount of two hundred seventy-nine million, six hundred fifty-one thousand, ninety-seven Saudi riyals and sixty-one halalas (SAR 279,651,097.61), inclusive of VAT.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within sixty (60) days shall be settled by the competent courts in the Kingdom.

D. General Work Contract with a Government Agency

On 02/02/1441H (corresponding to 01/10/2019G), the Company entered into a general work contract with a government agency, whereby the Company carries out the processes of the government agency's operations center electronic system project. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is thirty-six (36) Gregorian months, effective as of the date of the work commencement meeting on 09/12/1440H (corresponding to 10/08/2019G). The government agency shall pay to the Company twenty-one million, five hundred eight thousand, one hundred ninety-four Saudi riyals and seventy-five halalas (SAR 21,508,194.75), inclusive of VAT.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

E. Operation and Maintenance Contract with a Government Agency

On 29/08/1441H (corresponding to 22/04/2020G), the Company entered into an operation and maintenance contract with a government agency, whereby the Company operates the electronic services and infrastructure of the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is two (2) years, effective as of the handover of the work site on 10/05/1441H (corresponding to 01/05/2020G). The government agency shall pay to the Company the amount of sixty-nine million, seven hundred seventeen thousand, five hundred eighty-four Saudi riyals and eighteen halalas (SAR 69,717,584.18).

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

F. Maintenance Contract with a Government Agency

On 07/07/1440H (corresponding to 14/03/2019G), the Company entered into a maintenance contract with a government agency, whereby the Company provides services for maintenance of computers, devices, networks, telecommunications and their accessories. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is three (3) years, effective from the date of the handover of the site on 11/07/1440H (corresponding to 18/03/2019G). The government agency shall pay to the Company the amount of fifty-eight million, three hundred thirty-one thousand, five hundred seventy-five Saudi riyals and five halalas (SAR 58,331,575.05), inclusive of VAT.

The government agency may terminate the contract at any time or any stage of this contract without providing reasons, by officially notifying the Company at its address thirty (30) days before the termination date.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the Board of Grievances.

G. Agreements with a Government Agency

The Company entered into several agreements with a government agency. Following is a summary of those agreements:

1- **Universities Network Support Consolidation Contract**

On 17/06/1441H (corresponding to 11/02/2020G), the Company entered into a university network support consolidation contract with a government agency, whereby the Company consolidates network support for universities, including the provision of materials, equipment, workers and everything necessary in accordance with the contract terms and documents.

The term of the contract is three (3) Gregorian years, effective as of the date the work site was handed over on 26/06/1440H (corresponding to 03/03/2019G). The government agency shall pay to the Company the amount of fifty-six million, four hundred seventy-nine thousand, six hundred sixty-three Saudi riyals and eighty halalas (SAR 56,479,663.80).

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

2- **Microsoft Licenses Supply Contract**

On 24/05/1440H (corresponding to 30/01/2019G), the Company entered into a contract for supply of Microsoft licenses with a government agency, whereby the Company supplies Microsoft licenses to the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is three (3) Gregorian years. The government agency shall pay to the Company forty-six million, six hundred sixty-eight thousand, nine hundred eighty-one Saudi riyals (SAR 46,668,981).

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within 30 days shall be settled by the competent courts in the Kingdom.

3- **Universities Microsoft License Standardization Contract**

On 14/02/1441H (corresponding to 13/10/2019G), the Company entered into a contract for standardization of Microsoft licenses for universities with a government agency, whereby the Company standardizes Microsoft's licenses for universities, including the provision of materials, equipment, workers and everything necessary in accordance with the contract terms and documents. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is three (3) Gregorian years, effective as of date of the contract is signed. The government agency shall pay to the Company one hundred thirty-seven million, fourteen thousand, sixty-seven Saudi riyals and forty-eight halalas (SAR 137,014,06748).

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

4- **Contract for Technical Support of Microsoft Systems at Universities**

On 06/01/1441H (corresponding to 05/09/2019G), the Company entered into a contract for technical support of Microsoft systems at universities with a government agency, whereby the Company provides technical support of universities' Microsoft systems, including the provision of materials, equipment, workers and everything necessary in accordance with the contract terms and documents. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is three (3) Gregorian years, effective as of the date the work site was handed over on 03/12/1440H (corresponding to 04/08/2019G). The government agency shall pay to the Company forty-eight million, ninety-two thousand, seven hundred eighty-eight Saudi riyals and four halalas (SAR 48,092,788.04).

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

H. Technical Enhancement and Support Contract with a Government Agency

On 03/02/1442H (corresponding to 20/09/2020G), the Company entered into a contract for technical enhancement and support with a government agency, whereby the Company enhances the security administrative environment and Microsoft technical support for the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is twenty-four (24) months, effective as of the date of the contract is signed. The government agency shall pay to the Company the amount of six million, one hundred eighty-four thousand, nine hundred fifty-one Saudi riyals and forty-one halalas (SAR 6,184,951.41), including all fees and taxes.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances or any competent committee formed under the Government Tenders and Procurement Law, unless the parties decide to resolve it through arbitration.

I. Agreements with a Government Agency

The Company entered into several agreements with a government agency. Following is a summary of those agreements:

1- **Government Security Network Expansion Project Contract**

On 07/06/1440H (corresponding to 12/02/2019G), the Company entered into a network expansion project contract with a government agency, whereby the Company provides maintenance and technical support contract services for all network components to the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is three (3) Gregorian years, effective as of date of the contract is signed. The government agency shall pay to the Company the amount of sixteen million, nine hundred seventy thousand, nine hundred ninety-nine Saudi riyals (SAR 16,970,999), including all fees and taxes.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

2- **Operations and Maintenance Contract**

On 06/12/1441H (corresponding to 27/07/2020G), the Company entered into an operation and maintenance contract with a government agency, whereby the Company provides technical and technological services to support, manage and operate the national system for government e-transactions for the government agency. This contract does not contain any exclusive arrangements between the parties.

The term of the contract is sixty (60) months, effective as of the date of work commencement notice. The government agency shall pay to the Company the amount of one hundred ninety-three million, four hundred ten thousand, five hundred sixty-seven Saudi riyals and eleven halalas (193,410,567.11), including all fees and taxes.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the Board of Grievances.

J. Agreement with Huawei

The Company entered into an agreement with Huawei Tech. Investment Saudi Arabia Co. Ltd. (Huawei), effective as of Shawwal 1441H (corresponding to June 2020G), whereby the Company provides access to its digital signature service to Huawei, using Web 2.0 and HTML5 technologies to provide a quick and easy way for users to prepare, review and sign documents. The value of the agreement is not specified as Huawei requests the services thereunder in accordance with the agreed tender document or purchase order. This agreement does not contain any exclusive arrangements between the parties and Huawei is not subject to minimum obligations under this agreement.

The agreement shall remain effective until it is terminated by either party, and either party may, at its option, terminate the agreement by sending a 30-day written notice to the other party expressing its intention to terminate the agreement. Upon termination of the agreement, the Company shall immediately cease to provide services and all use rights granted under the agreement shall terminate.

The agreement is governed by the applicable laws of the Kingdom. Any dispute between the parties regarding the application and construction of this agreement or any legal proceedings thereunder that could not be resolved amicably shall be settled by the commercial courts of the Kingdom.

K. Agreement with a Listed Company

The Company entered into an agreement with a listed company effective as of 01/04/1441H (corresponding to 28/11/2019G), pursuant to which the Company provides architecture, design, planning and implementation services to the listed company to build the next generation of cloud infrastructure, through SoWs issued under the agreement.

Under this agreement, the first SoW, signed on 30/08/1441H (corresponding to 23/04/2020G), and effective until 03/10/1444H (corresponding to 23/04/2023G), was issued. The value of the first SoW is one hundred sixty-five million, forty-two thousand, seven hundred seventy Saudi riyals and fifty halalas (SAR 165,042,770.5), inclusive of VAT.

Under this agreement, the second SoW, signed on 22/09/1441H (corresponding to 15/05/2020G), and effective until 25/10/1444H (corresponding to 15/05/2023G), was issued. The value of the second SoW is forty-five million, two hundred ninety-six thousand, four hundred twenty-one Saudi riyals and forty-five halalas (SAR 45,296,421.45), inclusive of VAT.

The agreement is effective until 30/06/1446H (corresponding to 31/12/2024G), and it may be extended by an agreement between the parties. The listed company may, at its option, terminate the agreement by sending a written notice to the Company at least thirty (30) days before termination. In the event of termination, the listed company shall pay to the Company all amounts payable for works accepted and performed until the termination date. This agreement does not contain any exclusive arrangements between the parties and the listed company is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any dispute between the parties regarding the application and construction of this agreement shall be settled by the competent courts of the Kingdom.

L. Agreement with a Governmental University

The Company entered into an agreement with a government university, effective as of 17/12/1437H (corresponding to 18/09/2016G), pursuant to which the Company provides management, maintenance and support services for the electronic infrastructure of the government university's hospital. This agreement does not contain any exclusive arrangements between the parties.

The term of the agreement is five (5) years, effective as of the date it is entered into, and the governmental university shall pay to the Company an amount of one hundred sixty-eight million, three hundred ninety-six thousand, eight hundred ninety-four Saudi riyals (SAR 168,396,894).

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

M. Consulting Services Agreement with a Government Agency

The Company entered into a consulting services agreement with a government agency on 24/08/1442H (corresponding to 06/04/2021G), whereby the Company provides consulting services to the government agency's call center. This agreement does not contain any exclusive arrangements between the parties.

The agreement is effective for one year from the date of its execution. The agency shall pay an amount of twenty-four million, six hundred thirty-three thousand, nine hundred Saudi riyals and eighty-six halalas (SAR 24,633,900.86), according to a monthly receipt submitted by the Company to the agency. The government agency may terminate the agreement if the public interest so requires.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

N. RA Charter Between the Company and AMEX

The Company entered into a registration authority charter with American Express Saudi Arabia (AMEX), effective as of 09/08/1442H (corresponding to 12/05/2020G), pursuant to which the Company appointed AMEX as a third party RA to verify the identity of applicants and oversee the digital certificate lifecycle management in the business process on behalf of the Company. A digital certificate must be used to provide applicants with trusted identity credentials, among other things, for digital signature of documents and digital execution of transactions. A digital certificate must ensure authentication, message integrity, and non-repudiation, as well as use for legitimate business purposes.

As a third party RA, AMEX retains all hard and soft documentation related to the applicant's identity authentication upon applying for digital certificates. The third party RA must also verify the supporting documents and secure their storage for a minimum of seven (7) years, following the cancellation or completion of certification. At a minimum, the third party RA must require each applicant that is a natural person to provide: (1) a duly signed subscription agreement with the Company; and (2) a copy of the applicant's identity documents.

The Company's certification unit must then process and issue a digital certificate. In the course of day-to-day business, if there is a condition for termination of the Agreement, both the Company's and the third-party's RA must agree on the termination process.

The Company and all third party affiliates shall use commercially reasonable endeavors to prevent information used and stored in a digital certificate scam from being improperly used or disclosed for purposes other than those described internally.

The AMEX registration charter shall be governed by Saudi Electronic Transactions Law issued under Council of Ministers Resolution No. 80 dated 07/07/1438H (corresponding to 6 December 2016G).

O. Service Agreement with a Listed Company

The Company entered into a general services agreement with a listed company, effective as of 28/09/1442H (corresponding to 10/05/2021G), pursuant to which the Company must provide the listed company with maintenance and technical support services for hardware and software, and must grant the listed company a license to use the Cisco SmartNet support services program. This agreement does not contain any exclusive arrangements between the parties and the listed company is not subject to minimum obligations under this agreement.

The total value of the agreement is three million, sixteen thousand, one hundred one Saudi riyals and sixty-seven halalas (SAR 3,016,101.67). The agreement shall be effective until 01/11/1445H (corresponding to 09/05/2024G). The listed company may extend this agreement for one year by a written notice to the Company thirty (30) days before the expiry of the current term of the agreement.

The listed company may, without cause, terminate this agreement or any part of the scope of work by a written notice to the Company specifying the effective date of termination. In the event of termination, the listed company shall pay to the Company all amounts duly payable for works performed until the date of termination.

This agreement is governed by the laws of the Kingdom. Any dispute arising out of or in connection with the agreement shall be resolved by arbitration in accordance with the Arbitration Rules of the Saudi Center for Commercial Arbitration in Riyadh. Arbitration proceedings shall be conducted in the English language.

12-5-3 Supplier Agreements

The Company has entered into thirty (30) agreements with suppliers, which include resale agreements with suppliers and subcontracting agreements with suppliers to work together to provide services to the Company's customers (for further details in this regard, see 4.8.1 "**Suppliers**" of this Prospectus). Following is a summary of these agreements:

A. Resale Agreements

1- **Managed Security Services Partner Agreement with Palo Alto Networks**

The Company entered into a managed security services partner agreement with Palo Alto Networks (Netherlands) B.V., effective as of 27/12/1438H (corresponding to 18/09/2017G), whereby Palo Alto Networks supplies various hardware, software and subscription services, so that the Company can resell these products to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders and requisitions, and payment is made based on the agreement of the two parties to the prices of the products and services to be resold. This agreement does not contain any exclusive arrangements between the parties and Palo Alto Networks is not subject to minimum obligations under this agreement.

The agreement is effective until 11/02/1443H (corresponding to 18/09/2021G), and it is automatically renewable for one year unless either party notifies the other of its intention not to renew thirty (30) days before the expiry of the agreement. In the event of termination, all purchase orders issued under the agreement will be automatically revoked.

Either party may, at its discretion and option, terminate this agreement upon a prior 60-day written notice to the other party. Palo Alto Networks may terminate the Company's right to resell its products obtained under the agreement by a prior 30-day written notice to the Company.

The agreement is governed by the applicable laws of England and Wales. Any dispute between the parties regarding the application and construction of this agreement that cannot be resolved amicably shall be referred to the City of London Court.

2- **Cloud Security Service Provider Agreement with Palo Alto Networks**

The Company entered into a cloud security services provider agreement with Palo Alto Networks (Netherlands) B.V., effective as of 25/11/1440H (corresponding to 28/07/2019G), whereby Palo Alto Networks provides the Company with certain next-generation virtual security platforms of Palo Alto Networks VM and corresponding subscriptions via its cloud infrastructure, so that the Company can resell those products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders and requisitions, and payment is made based on the agreement of the two parties to the prices of the products and services to be resold. This agreement does not contain any exclusive arrangements between the parties and Palo Alto Networks is not subject to minimum obligations under this agreement.

The initial term of the agreement expired on 07/12/1441H (corresponding to 28/06/2020G) and it was automatically renewed for one year. The agreement is automatically renewable for similar periods unless either party notifies the other of its intention not to renew thirty (30) days before the expiry of the agreement.

Either party may, at its discretion and option, terminate this agreement under a prior 60-day written notice to the other party. Palo Alto Networks may terminate the Company's right to resell virtual firewall packages to its customers under a prior 30-day written notice to the Company. In the event of termination, neither party is entitled to any compensation from the other party.

The agreement is governed by the applicable laws of the Netherlands. Any dispute between the parties regarding the application and construction of this agreement shall be determined by the competent courts of the city of Amsterdam.

3- **Reseller Agreement with Juniper Networks**

The Company entered into a reseller agreement with Juniper Networks International B.V., effective as of 18/05/1440H (corresponding to 24/01/2019G), whereby Juniper Networks International will provide the Company with various hardware, software, maintenance and support services, so that the Company can resell these products to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders and requisitions, and payment is made based on the current prices of products and services in accordance with the price list determined by Juniper Networks International. This agreement does not contain any exclusive arrangements between the parties and Juniper Networks International is not subject to minimum obligations under this agreement.

The agreement is effective until 21/06/1443H (corresponding to 24/01/2022G), and Juniper Networks International may renew it for an additional three (3) years under a notice submitted to the Company prior to the expiry of the agreement or any renewal thereof.

The Company shall pay to Juniper Networks International the purchase price of the products and services at the present price of those products and services according to Juniper Networks International's global price list.

Either party may, at any time and for any reason, terminate this agreement with a prior 30-day written notice to the other party. In the event of termination, the Company shall pay Juniper Networks International all the amounts due within thirty (30) days from the date of termination.

The agreement is governed by the applicable laws of England and Wales. Any dispute between the parties regarding the application and construction of this agreement that cannot be resolved amicably shall be referred to the City of London Court.

4- **Reseller Agreement with NetApp**

The Company entered into a reseller agreement with NetApp, effective as of 17/05/1440H (corresponding to 23/01/2019G), whereby NetApp BV provides the Company with the following: (1) NetApp-branded hardware and software and associated documents, and any third-party branded products distributed or licensed by NetApp; and (2) consulting, installation, implementation and other services, and technical support and maintenance services generally available for prior hardware and software, in addition to its cloud services, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders and requisitions, and payment is made based on the agreement of the two parties on the prices of the products and services to be resold. This agreement does not contain any exclusive arrangements between the parties and NetApp is not subject to minimum obligations under this agreement.

The agreement is effective until 20/06/1443H (corresponding to 23/01/2022G), automatically renewable for one year.

Either party may, at any time and for any reason, terminate this agreement with a prior 30-day written notice to the other party. In the event of termination, neither party is entitled to any compensation from the other party.

The agreement is governed by the applicable laws of the Netherlands. Any dispute between the parties regarding the application and construction of this agreement shall be determined by the competent courts of the city of Amsterdam.

5- **Reseller Agreement with Arbor Networks**

The Company entered into a reseller agreement with Arbor Networks UK Ltd, effective as of 17/05/1440H (corresponding to 23/01/2019G), whereby Arbor Networks Limited provides the Company with the following: (1) Arbor computer software and/or cloud-based hardware; (2) maintenance and support services for the aforementioned hardware and software; and (3) implementation, staging, training and consulting services, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders and requisitions, and payment is made based on the agreement of the two parties on the prices of the products and services to be resold. This agreement does not contain any exclusive arrangements between the parties and Arbor Networks is not subject to minimum obligations under this agreement.

The initial term of the agreement expired on 28/05/1441H (corresponding to 23/01/2020G), and the agreement remains effective for an additional twelve (12) months if the Company does not violate the terms and conditions of the agreement or receive a termination notice from Arbor Networks Ltd within at least thirty (30) days before the initial term expires. This agreement is still effective as at the date of this Prospectus.

Either party may, at any time and for any reason, terminate this agreement with a prior 60-day written notice to the other party. In the event of termination, the Company shall pay to Arbor Networks Ltd all amounts due under the agreement.

The agreement is governed by the applicable laws of England. Any dispute between the parties regarding the application and construction of this agreement shall be settled by the courts of England.

6- Reseller Agreement with Microsoft Corporation

The Company entered into a reseller agreement with Microsoft Corporation, effective as of 28/10/1440H (corresponding to 01/07/2019G), whereby Microsoft provides the Company with many Microsoft products such as Modern Workplace Cloud, Microsoft Azure services, and business applications, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Microsoft Corporation is not subject to minimum obligations under this agreement.

The initial term of the agreement expired on 09/11/1441H (corresponding to 30/06/2020G), and Microsoft may, at its own discretion, renew the term for one year by sending a notice to the Company and providing it with the new document that covers that year. This agreement is still effective as at the date of this Prospectus.

Either party may terminate this agreement upon a prior thirty (30) day- written notice to the other party. In the event of termination, the Company shall pay to Microsoft all the amounts due up to the date of termination.

7- Accelerated Growth Agreement with Microsoft

The Company entered into an accelerated growth agreement with Microsoft, effective as of 28/10/1440H (corresponding to 01/07/2019G), whereby Microsoft provides opportunities to earn specific incentive payments to achieve specific performance measures. This agreement is still effective as at the date of this Prospectus.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Microsoft is not subject to any minimum obligations under this agreement.

The agreement is effective until 20/11/1442H (corresponding to 30/06/2021G). Either party may terminate this agreement upon a prior 30-day written notice to the other party. In the event of termination, Microsoft shall pay to the Company the incentive payments due under the agreement until the date of termination.

8- Reseller Agreement with Microsoft Ireland Operations Limited

On 15/01/1440H (corresponding to 25/09/2018G), the Company entered into a reseller agreement with Microsoft Ireland Operations Limited, whereby Microsoft Ireland Operations Limited enables the Company to act as a Microsoft licensing partner and provides Microsoft-licensed software and software warranties for customers in the Kingdom.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Microsoft Ireland Operations Limited is not subject to any minimum obligations under this agreement.

The agreement is effective until 01/01/1441H (corresponding to 31/08/2019G). Microsoft Ireland Operations Limited may extend the agreement for two consecutive periods, each expiring on August 31, with a prior written notice to the Company thirty (30) days prior to the expiry of the agreement. Either party may terminate this agreement upon a prior 30-day written notice to the other party. This agreement is still effective as at the date of this Prospectus.

The agreement is governed by the applicable laws of Ireland. Any dispute between the parties regarding the application and construction of this agreement shall be determined by the competent courts of Ireland.

9- Reseller Agreement with Cisco International Limited

The Company entered into a reseller agreement with Cisco International Limited, effective as of 15/09/1441H (corresponding to 08/05/2020G), whereby Cisco International Limited provides the following services and products to the Company: Smartnet Total Care Service Level, Software Support Services, High Touch Expert Care, and Asset Management Premium for all Cisco products within the installed customer base, so that the Company can resell these products and services to its customers. The agreement is effective until 08/08/1444H (corresponding to 28/02/2023G).

The estimated value of the agreement is thirteen million, three hundred twenty-nine thousand, eight hundred ninety-two Saudi riyals and thirty-five halalas (SAR 13,329,892.35). This agreement does not contain any exclusive arrangements between the parties and Cisco International Limited is not subject to minimum obligations under this agreement.

10- **Oracle Partner Network Master Distribution Agreement**

The Company entered into an agreement with the Oracle Partner Network, effective as of 23/02/1440H (corresponding to 01/11/2018G), whereby Oracle Partner Network provides the Company with various Oracle products and services.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Oracle is not subject to any minimum obligations under this agreement.

The term of the agreement is one year, effective as of the date on which the Company obtains membership with the Oracle Partner Network on 23/02/1440H (corresponding to 01/11/2018G). Either party may extend the agreement for another year. Either party may terminate this agreement upon a prior 30-day written notice to the other party, and in the event of termination by Oracle Partner Network, the Company shall pay Oracle Partner Network all amounts due, including any taxes or other fees, within thirty (30) days from the date of the termination notice. This agreement is still effective as at the date of this Prospectus.

The agreement is governed by the applicable laws of the Kingdom. Any dispute between the parties regarding the application and construction of this agreement shall be settled by the Riyadh courts.

11- **Framework Agreement with Huawei**

The Company entered into an agreement with Huawei Tech. Investment Saudi Arabia Co. Ltd., effective as of 21/02/1442H (corresponding to 08/10/2020G), whereby Huawei Tech. Investment Saudi Arabia Co. Ltd. provides the Company with various Huawei hardware, software and documents, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Huawei is not subject to minimum obligations under this Agreement.

The agreement is effective until 02/03/1443H (corresponding to 08/10/2021G). The term of the agreement can be extended by written agreement at least thirty (30) days from the expiry of the initial term of the agreement.

The agreement is governed by the applicable laws of the Kingdom. Any dispute between the parties regarding the application and construction of this agreement shall be settled by Dubai International Arbitration Center.

12- **MoU with Huawei**

The Company entered into a MoU with Huawei Tech. Investment Saudi Arabia Co. Ltd., effective as of 21/11/1441H (corresponding to 12/07/2020G), whereby the two parties identified areas of joint cooperation (such as cloud solutions that the Company intends to provide in the Kingdom).

The value of the MoU is not specified. The MoU does not contain any exclusive arrangements between the parties and Huawei is not subject to minimum obligations under the MoU.

The agreement is effective until 02/12/1442H (corresponding to 12/07/2021G). Either party may notify the other party of its request to terminate the MoU, and if the concerns of either party cannot be resolved to the satisfaction of both parties within seven (7) days from receipt of the termination request, then either party may terminate the MoU by a 30-day written notice. The MoU does not describe the mechanism for payment of dues upon termination.

The MoU is governed by the applicable laws of the Kingdom. Any dispute between the parties regarding the application and construction of this MoU shall be settled by the Riyadh courts.

13- **Reseller Agreement with VMware**

The Company entered into a reseller agreement with VMware International Unlimited Company, effective as of 05/07/1441H (corresponding to 29/02/2020G), whereby VMware provides the Company with IT equipment, cloud services, support, and software licenses for the Company's programs, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and VMware is not subject to minimum obligations under this Agreement.

The agreement is effective until 17/07/1442H (corresponding to 01/03/2021G), and is automatically renewable for one year. This agreement is still effective as at the date of this Prospectus.

Either party may, at any time and for any reason, terminate this agreement with a prior 30-day written notice to the other party. In the event of termination, neither party is entitled to any compensation from the other party.

The agreement is governed by the applicable laws of England and Wales. Any dispute between the parties regarding the application and construction of this agreement that cannot be resolved amicably shall be referred to the courts of England.

14- **Reseller Agreement with IBM**

The Company entered into a reseller agreement with IBM, effective as of 18/11/1441H (corresponding to 09/07/2020G), whereby IBM provides the Company with power systems and storage services, so that the Company can resell these products and services to its customers.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and IBM is not subject to any minimum obligations under this agreement.

The agreement is effective until 10/12/1443H (corresponding to 09/07/2022G), and is automatically renewable for two years, unless IBM decides otherwise in writing.

Either party may, at any time and for any reason, terminate this agreement upon a prior 3-month written notice. In the event of termination, each party shall settle its accounts with the other party as soon as practicable.

The agreement is governed by the applicable laws of England. Any dispute between the parties regarding the application and construction of this agreement shall be referred to arbitration under the supervision of the London Court of International Arbitration (LCIA). Arbitration shall take place in London.

15- **Agreement with EMC Computer Systems**

The Company entered into an agreement with EMC Computer Systems on 17/05/1440H (corresponding to 31/01/2019G), whereby EMC Computer Systems provides the Company with Dell EMC-branded hardware for the purposes of the Company's services and offerings.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and EMC Computer Systems is not subject to any minimum obligations under this agreement.

The agreement is of an undefined term. Either party may, with or without reason, terminate this agreement upon a 90-day written notice to the other party. The agreement does not describe the mechanism for payment of dues upon termination.

The agreement is governed by the applicable laws of England and Wales. Any dispute between the parties regarding the application and construction of this agreement shall be referred to the DIFC Courts.

16- **FortiPartner Agreement with Fortinet**

The Company entered into a FortiPartner Agreement with Fortinet Singapore Private Limited on 05/02/1440H (corresponding to 14/10/2018G), whereby the Company, as specified, shall act as a non-exclusive marketer and distributor of Fortinet products or as a provider of managed security services in the region designated by Fortinet.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties and Fortinet Singapore Private Limited is not subject to minimum obligations under this agreement.

The agreement is of an undefined term. Either party may, with or without cause, terminate this agreement upon a 30-day written notice to the other party if the termination is with cause, and a 15-day notice if the termination is without cause. In the event of termination, all licenses issued to the Company under the agreement will be automatically revoked.

The agreement is governed by the applicable laws of the State of California. Any dispute between the parties regarding the application and construction of this agreement shall be referred to arbitration under the International Arbitration Regulations of the International Arbitration Centre. Arbitration shall take place in County of Santa Clara.

17- **Business Partner Agreement with HP**

The Company has entered into a business partner agreement with HP, whereby the Company acts as a qualified HP business partner for the purposes of HP software. These business partnership benefits include special rates for HP products and software, HP marketing and branding materials, and access to the HP Business Partner Portal.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. This agreement does not contain any exclusive arrangements between the parties.

The agreement is effective as of the date the Company signed it online on 10/01/1441H (corresponding to 09/09/2019G) until October 31 of the year in which the Company is qualified as a business partner, since the Company's qualification is annually re-evaluated by HP. The Company is still qualified as a business partner and therefore the agreement is effective as at the date of this Prospectus. Pursuant to the agreement, the Company is bound to make purchases. If the Company does not make any purchases within twelve (12) months, the agreement will be terminated. In addition, HP may terminate the agreement by a written 90-notice published on the HP Business Partner Portal. The agreement does not describe the mechanism for payment of dues upon termination.

The agreement is governed by the applicable laws of Switzerland. Any dispute between the parties regarding the application and construction of this agreement shall be referred to the courts of Switzerland.

18- **Distribution Agreement with Apple**

The Company entered into a distribution agreement with Apple, as amended, between Apple Saudi Arabia LLC and the Company on 17/10/1442H (corresponding to 29/05/2021G), whereby Apple appoints the Company to sell Apple-certified products to customers in its territories and at approved locations. This appointment is not exclusive.

The agreement is effective until 27/10/1443H (corresponding to 28/05/2022G). The agreement may be terminated at any time by a 60-day written notice. Apple may terminate the agreement immediately in the event of any material change in the Company's management, ownership or business operations.

The Company shall notify Apple thirty (30) days prior to the effective date of (i) a change in the Company's legal name, business name, or address, including the Company's website URL or contact information; or (ii) any material changes in the Company's ownership and control of business operations. The Company has notified Apple of the change in ownership resulting from the Offering.

The value of the agreement is not specified, but rather dependent on purchase orders, and payment is made based on purchase orders issued under the agreement. Apple may, at its sole discretion, withdraw the Company's access to authorized products or channels, discontinue the Company's participation in any program, or remove authorized sites if Apple determines that Company cannot properly perform such services. In addition, Apple may withhold shipments and declare all amounts payable in the event of any violation by the Company.

The Company may not disclose any of Apple's confidential information to the public without the prior written consent of Apple.

The agreement is governed by the applicable laws of England and Wales. Any dispute between the parties regarding the application and construction of this agreement that could not be resolved amicably within sixty (60) days shall be settled under the Arbitration Rules of the International Chamber of Commerce in London.

19- **Nvidia Partner Network Master Agreement**

The Company entered into the Nvidia Partner Network Master Agreement with Nvidia on 06/01/1442H (corresponding to 25/08/2020G), whereby Nvidia offers the benefits stipulated in each software guide and efficiency offer.

The agreement is effective for one year and is automatically renewable, unless terminated by either party. Either party may, without cause, terminate the agreement, the software guide or the offer by a 30-day notice.

The parties shall not disclose any confidential, commercial or other information they may receive or learn under the agreement without the prior written consent of the non-disclosing party.

The agreement is governed by the laws of the State of Delaware and the USA. The jurisdiction of the state and federal courts of the County of Santa Clara, California, USA, shall be applicable to the parties to this agreement. In addition, the United Nations Convention on Contracts for the International Sale of Goods shall apply to this agreement.

Under the Nvidia Partner Network Master Agreement, the following agreements are entered into:

- **Nvidia Supplemental Agreement**

The Company entered into the Nvidia Supplemental Agreement with Nvidia on 22/12/1441H (corresponding to 12/08/2020G), pursuant to which Nvidia allows the Company's customers and their end users to access Nvidia DGX products and grants such users access to the Nvidia licensing program.

The agreement is effective for one year and is automatically renewable, unless terminated by either party by a 30-day notice prior to the renewal period.

The agreement may be terminated by a 15-day written notice if any of the terms of the agreement is violated. Upon termination or expiration of the right granted under the agreement, the Company shall terminate all end user contracts as well.

The agreement is governed by the applicable laws of the United Kingdom, and any disputes arising thereunder shall be settled by the courts of the United Kingdom.

- **Nvidia Cloud End User License Agreement**

The Company has entered into the Nvidia Cloud End User License Agreement with an effective date for the click action entered into between Company and Nvidia, whereby Nvidia grants the Company a non-exclusive, non-transferable license to access the software and use it for virtual workstation purposes, without the right to sub-lease such license.

The agreement shall remain in effect so long as the licenses are valid.

The parties shall not disclose any confidential, commercial or other information they may receive or learn under the agreement without the prior written consent of the non-disclosing party.

The agreement may be terminated by a written notice upon violation of the terms of the agreement.

The agreement is governed by the laws of the State of Delaware and the USA. The jurisdiction of the state and federal courts of the County of Santa Clara, California, USA, shall be applicable to the parties to this agreement. In addition, the United Nations Convention on Contracts for the International Sale of Goods shall apply to this agreement.

The agreement was amended by vGPU Cloud Service Provider Amendments - Indirect Sales on 20/09/1442H (corresponding to 02/05/2021G), whereby Nvidia wishes to provide cloud service provider's rights with respect to the CPS Software licensed under the Nvidia Cloud End User License Agreement, and also wishes to provide the following:

- installation, testing and use of CPS Software within the Company's solutions;
- use and reproduction of CPS Software within the Company's solutions; and
- distribution, resale, and offer of CPS Software directly as a service provider or through a service provider to the Company's end users, in addition to enabling the Company's end users to access and use CPS Software within the field of usage.

The agreement is effective for one year and is automatically renewable, unless otherwise terminated by either party by a 30-day notice prior to the renewal period. Nvidia may immediately terminate the agreement by a written notice if Company violates the terms of the vGPU Cloud Service Provider Amendments or if it becomes bankrupt or insolvent.

- **Nvidia Supplemental Agreement**

The Company entered into the Nvidia Supplemental Agreement with Nvidia on 20/09/1442H (corresponding to 02/05/2021G), pursuant to which Nvidia allows the Company's customers and their end users to access Nvidia DGX products and grants such users access to the Nvidia licensing program.

The agreement is effective for one year and is automatically renewable, unless terminated by either party by a 30-day notice prior to the renewal period.

The agreement may be terminated by a 15-day written notice if any of the terms of the agreement is violated. Upon termination or expiration of the right granted under the agreement, the Company shall terminate all end user contracts as well.

The agreement is governed by the applicable laws of the United Kingdom, and any disputes arising thereunder shall be settled by the courts of the United Kingdom.

B. Subcontract Agreements

1- **Subcontract Agreement with Thales DIS Middle East FZ-LLC**

The Company entered into a subcontract agreement with Thales DIS Middle East FZ-LLC, effective as of 05/05/1441H (corresponding to 31/12/2019G), whereby the Company subcontracts Thales DIS Middle East for its obligations under a material agreement with a government agency.

The agreement is effective until 28/05/1446H (corresponding to 30/11/2024G), unless it is terminated earlier in accordance with the terms of the agreement or the Company has fully fulfilled its obligations under its agreement with the government agency.

The Company shall pay to Thales DIS Middle East the amount of two hundred forty-two million, five hundred seventy-three thousand, six hundred eighty-three Saudi riyals and ninety-six halalas (SAR 242,573,683.96) for Thales DIS Middle East's scope of work under this agreement. This agreement does not contain any exclusive arrangements between the parties and Thales DIS Middle East is not subject to minimum obligations under this agreement.

The Company shall pay the undisputed fees within sixty (60) days from the date of receipt of a valid invoice, and Thales DIS Middle East shall only issue these invoices upon the deliverables being accepted by the government agency.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

2- **Subcontract Agreement with Elm**

The Company entered into a subcontract agreement with Elm, effective as of 17/10/1441H (corresponding to 09/06/2020G), whereby the Company subcontracts Elm for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement is effective until 20/11/1444H (corresponding to 09/06/2023G), unless terminated earlier in accordance with the terms and conditions thereof. Either party may extend the agreement by sending a written notice to the other party thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is sixteen million, seven hundred ninety-eight thousand, six hundred fifty-one Saudi riyals (SAR 16,798,651). This agreement does not contain any exclusive arrangements between the parties and Thales DIS Middle East is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

3- **Subcontract Agreement with Taqat Badeela**

The Company entered into a subcontract agreement with Taqat Badeela, effective as of 01/08/1441H (corresponding to 25/03/2020G), whereby the Company subcontracts Taqat Badeela for its various obligations under the agreement between the Company and one of its government agency customers.

The agreement is effective until the project is completed under the Master Agreement, unless terminated earlier in accordance with the terms and conditions thereof. The Company may extend the agreement by sending a written notice to Taqat Badeela thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is three million, one hundred one thousand, one hundred ninety Saudi riyals (SAR 3,101,190). This agreement does not contain any exclusive arrangements between the parties and Taqat Badeela is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

4- **Subcontract Agreement with Tech Track**

The Company entered into a subcontract agreement with Tech Track, effective as of 07/08/1441H (corresponding to 31/03/2020G), whereby the Company subcontracts Tech Track for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement is effective until 28/08/1443H (corresponding to 31/03/2021G), unless terminated earlier in accordance with the terms and conditions thereof. The Company may extend the agreement by sending a written notice to Tech Track thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is twenty-four million, nine hundred eighty-three thousand, three hundred fifty-two Saudi riyals (SAR 24,983,352), exclusive of VAT. This agreement does not contain any exclusive arrangements between the parties and Tech Track is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

5- Subcontract Agreement II with Tech Track

The Company entered into a subcontract agreement with Tech Track, effective as of 21/07/1441H (corresponding to 16/03/2020G), whereby the Company subcontracts Tech Track for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement shall be effective until 13/08/1443H (corresponding to 16/03/2022G). The Company may extend the agreement by sending a written notice to Tech Track thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is five hundred seventy-seven thousand, two hundred seventy-eight Saudi riyals and ninety halalas (SAR 577,278.90). This agreement does not contain any exclusive arrangements between the parties and Tech Track is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

6- Subcontract Agreement with Tata Consultancy Services Ltd

The Company entered into a sub-contract agreement with Tata Consultancy Services Ltd, effective as of 11/04/1441H (corresponding to 08/12/2019G), whereby the Company subcontracts Tata Consulting Services Ltd for its various obligations under the Master Agreement between the Company and stc, pursuant to which the Company shall implement the LMS improvement project.

The agreement is effective until 04/05/1443H (corresponding to 08/12/2021G), unless terminated earlier in accordance with the terms and conditions thereof. The Company may extend the agreement by sending a written notice to Tata Consulting Services Ltd thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is six million, four hundred nine thousand, three hundred forty-seven Saudi riyals (SAR 6,409,347), exclusive of VAT. This agreement does not contain any exclusive arrangements between the parties and Tata Consultancy Services Ltd is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

7- Second Subcontract Agreement with Tata Consultancy Services Ltd

The Company entered into a sub-contract agreement with Tata Consultancy Services Ltd, effective as of 07/04/1441H (corresponding to 04/12/2019G), whereby the Company subcontracts Tata Consulting Services Ltd for its various obligations under the Master Agreement between the Company and stc, pursuant to which the Company shall implement the stc FSM transformation project.

The agreement is effective until 25/12/1442H (corresponding to 04/08/2021G). The Company may extend the agreement by sending a written notice to Tata Consulting Services Ltd thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is twelve million, nine hundred ninety-nine thousand, nine hundred thirteen Saudi riyals (SAR 12,999,913). This agreement does not contain any exclusive arrangements between the parties and Tata Consultancy Services Ltd is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

8- Third Subcontract Agreement with Tata Consultancy Services Ltd

The Company entered into a subcontract agreement with Tata Consulting Services Ltd, effective as of 08/08/1441H (corresponding to 01/04/2020G), whereby the Company subcontracts Tata Consulting Services Ltd for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement is effective until 10/09/1444H (corresponding to 01/04/2023G). The Company may extend the agreement by sending a written notice to Tata Consulting Services Ltd thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is thirty-three million, four hundred thousand Saudi riyals (SAR 33,400,000). This agreement does not contain any exclusive arrangements between the parties and Tata Consultancy Services Ltd is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

9- **Subcontract Agreement with Lean Business Services Limited**

The Company entered into a subcontract agreement with Lean Business Services Limited, effective as of 07/09/1441H (corresponding to 30/04/2020G), whereby the Company subcontracts Lean Business Services Limited for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement is effective until 10/10/1444H (corresponding to 30/04/2023G). The Company may extend the agreement by sending a written notice to Lean Business Services Limited thirty (30) days prior to the date of the expiry of the agreement.

The value of the agreement is seventy-six million, four hundred seventy-six thousand, one hundred ninety Saudi riyals and forty-eight halalas (SAR 76,476,190.48). This agreement does not contain any exclusive arrangements between the parties and Lean Business Services Limited is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

10- **Subcontract Agreement with Novabase Solutions Middle East FZ-LLC**

The Company entered into a sub-contract agreement with Novabase Solutions Middle East FZ-LLC, effective as of 05/12/1440H (corresponding to 06/08/2019G), whereby the Company subcontracts Novabase Solutions Middle East for its various obligations under the Master Agreement between the Company and stc, pursuant to which the Company shall implement an aerial project for architectural development.

The agreement is effective until 27/12/1442H (corresponding to 06/08/2021G). The Company may extend the agreement by sending a written notice to Novabase Solutions Middle East FZ-LLC thirty (30) days prior to the date of the expiry of the agreement, provided that Novabase accepts the terms and conditions of renewal.

The value of the agreement is five million, two hundred nine thousand, one hundred thirty-two Saudi riyals and seventy halalas (SAR 5,209,132.70). This agreement does not contain any exclusive arrangements between the parties and Novabase Solutions Middle East FZ-LLC is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of DIFC, and any disputes arising thereunder shall be settled by the DIFC courts.

11- **Subcontract Agreement with ITQAN**

The Company entered into a subcontract agreement with ITQAN, effective as of 29/10/1441H (corresponding to 21/06/2020G), whereby the Company subcontracts ITQAN for its various obligations under an agreement between the Company and one of its government agency customers.

The agreement is effective until 03/12/1444H (corresponding to 21/06/2023G), unless terminated earlier in accordance with the terms and conditions thereof.

The value of the agreement is twenty million, eight hundred thousand, six hundred sixty Saudi riyals (SAR 20,800,660). This agreement does not contain any exclusive arrangements between the parties and Novabase Solutions Middle East FZ-LLC is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

12-5-4 Financing Agreements

The Company entered into two financing agreements, pursuant to which it obtained financing from Samba and Cisco Systems Finance International. Following is a summary of those agreements. The Company had no debt for 2020G.

A. Murabaha Facility Agreement with Samba

Table (12-6): Summary of the Terms of the Murabaha Facility Agreement with Samba

Parties	The Company and Samba
Date	11/01/1442H (corresponding to 30/08/2020G)
Total Financing	Five hundred million Saudi riyals (SAR 500,000,000)
Type of Financing	Murabaha facilities
Term	Until 02/01/1443H (corresponding to 10/08/2021G)*
Purpose	It is multi-purpose and can be used as a short-term loan or to issue letters of guarantee.
Guarantees	A promissory note provided by the Company in the amount of five hundred million Saudi riyals (SAR 500,000,000) payable to Samba, and Samba may request further guarantees during the term of the agreement.
Termination	<p>Notwithstanding any violation of this agreement or any other agreement, and whether or not there has been a breach, Samba may, at any time at its absolute discretion, suspend, cancel or reduce the Murabaha facilities. The Company will be notified thirty (30) days before this procedure, without declaring the reasons for this procedure.</p> <p>In addition, Samba may request that the Company immediately pay the deferred price for any and all transactions, in addition to all other amounts payable under this agreement, upon the occurrence of any of the following breaches:</p> <ol style="list-style-type: none"> 1- the Company fails to pay any amount due under this agreement or under the guarantee documents; 2- an endorsement provided by the Company under the agreement is found to be invalid or inaccurate; 3- the Company fails to duly perform any other obligation under this agreement; 4- there is a material and adverse change in the financial position of the Company that Samba deems a well-founded reason to believe that the Company may not be able to perform its obligations under this agreement; 5- the Company becomes insolvent, makes a general assignment to its creditors or conducts conciliation therewith, is declared bankrupt by a court of law or any steps are taken for its dissolution or winding-up (except for the purpose of reconstruction or amalgamation, where Samba has been satisfied as to the transfer or otherwise of the Company's obligations under the agreement or such Security Party's obligations under any Security Document to which it is a party) or for the appointment of a receiver, liquidator or similar officer of the Company or all of any of its assets; or 6- if at any time it is unlawful for Samba to finance or allow to remain outstanding any amount owing to Samba under this Agreement.
Material Restrictions	<ul style="list-style-type: none"> • The Company shall maintain its legal entity throughout the term of the agreement. • If the Company violates any of its obligations under this agreement, this violation shall constitute a default event, which gives Samba the right to terminate the agreement and claim any amounts payable.
Jurisdiction	The agreement is governed by the applicable laws of the Kingdom and any dispute arising thereunder shall be referred to the Committee for the Settlement of Banking Disputes.

Source: The Company

The Company has obtained Samba's approval and acknowledgment that the change in the legal form and ownership structure of the Company as a result of the Offering does not constitute a violation of the agreement, according to the letter dated 09/07/1442H (corresponding to 21/02/2021G).

B. Facility Framework Agreement with Cisco

Table (12-7): Summary of the Terms of the Facility Framework Agreement with Cisco

Parties	The Company and CISCO Systems Finance International
Date	The first facility agreement was concluded under this Framework Agreement on 06/07/1434H (corresponding to 16/05/2013G).
Total Financing	Facility agreements are concluded in accordance with the Framework Agreement, as required by the Company. The value of this agreement is determined based on the value of each facility agreement entered into pursuant to this agreement. As at the date of this Prospectus, the Company has entered into one facility agreement under this agreement on 21/12/1441H (corresponding to 12/07/2020G), pursuant to which the Company obtained facilities with a maximum limit of fifteen million US dollars (USD 15,000,000) (equivalent to fifty-six million, two hundred fifty thousand Saudi riyals (SAR 56,250,000)). Moreover, under this agreement, the Company submitted two withdrawal requests on 17/02/1441H (corresponding to 04/10/2020G), the first of which was for nine hundred sixty thousand, sixty-three US dollars and sixteen cents (USD 960,063.16) (equivalent to three million, six hundred thousand, two hundred thirty-six Saudi riyals and eighty-five halalas (SAR 3,600,236.85)), and the second for the amount of four hundred forty-nine thousand, six hundred sixty-three US dollars and fifty-one cents (USD 449,663.51) (equivalent to one million, six hundred eighty-six thousand, two hundred thirty-eight Saudi riyals and sixteen halalas (SAR 1,686,238.16)). Both withdrawal requests will expire within twelve (12) months from the proposed withdrawal date, i.e., 14/02/1442H (corresponding to 01/10/2020G).
Type of Financing	Credit facilities

Term	This agreement shall end on: (1) the expiry date of this agreement, as specified under the facility agreement entered into pursuant to this agreement; or (2) the date on which this agreement is withdrawn, canceled, or terminated in accordance with the terms and conditions therein and in the related facility agreement, whichever is earlier. It should be noted that the Company submitted two withdrawal requests on 17/02/1441H (corresponding to 04/10/2020G), the first for the amount of nine hundred sixty thousand, sixty-three US dollars and sixteen cents (USD 960,063.16) (equivalent to three million, six hundred thousand, two hundred thirty-six Saudi riyals and eighty-five halalas (SAR 3,600,236.85)), and the second for the amount of four hundred forty-nine thousand, six hundred sixty-three US dollars and fifty-one cents (USD 449,663.51) (equivalent to one million, six hundred eighty-six thousand, two hundred thirty-eight Saudi riyals and sixteen halalas (SAR 1,686,238.16)). Both withdrawal requests will expire within twelve (12) months from the proposed withdrawal date, i.e., 14/02/1442H (corresponding to 01/10/2020G).
Purpose	Providing facilities to the Company to purchase technical solutions from licensed suppliers by entering into facilities agreements, purchase orders and withdrawal requests, noting that they are not used to obtain any cash.
Guarantees	The Company must provide the guarantees required under the facility agreement entered into under this agreement, which include promissory notes for the value of the facilities. Accordingly, the Company provided a promissory note totaling fifteen million US dollars (USD 15,000,000) (equivalent to fifty-six million, two hundred fifty thousand Saudi riyals (SAR 56,250,000) on 21/12/1441H (corresponding to 12/07/2020G).
Termination	<p>Cisco may cancel and not withdraw the balance of all facilities under this agreement and deem the total amount and all advance payments and unpaid commissions under the agreement payable, request the approved suppliers to suspend shipments (including partial shipments) for any order, and suspend any services, or it may require the Company to pay, in advance and in cash, for services or shipments of additional products upon the occurrence of any of the following breaches:</p> <p>In addition, Cisco may request that Company immediately pay the deferred price for any and all transactions, in addition to all other amounts payable under this agreement, upon the occurrence of any of the following breaches:</p> <ol style="list-style-type: none"> 1- the Company fails to pay any amount due under this agreement or other facility agreement entered into pursuant to this agreement; 2- an endorsement provided by the Company under this agreement or other facility agreement entered in pursuant to this agreement is found to be invalid or inaccurate; 3- the Company fails to perform any of the undertakings under this agreement; 4- the Company defaults on any of its obligations under this agreement, except for such defaults as Cisco deems immaterial; 5- the Company fails to fulfill any of its core obligations under any of the agreements with Cisco; 6- there is a debt owed by the Company exceeding, in its entirety, 10% of the total debts of the Company; 7- any of the Company's creditors controls all or a large portion of the Company's business or assets; 8- any steps are taken with respect to bankruptcy, insolvency, financial reorganization, or restructuring of the Company; 9- the Company ceases to carry out a substantial part of its business; the Company makes material changes to the nature or scope of its business; or the Company disposes of a substantial part or all of its business or assets, or it intends to do any of the foregoing; 10- in the event that any of the provisions of Paragraph (5) or (11) applies to any Security Provider; 11- any law, regulation, order, or change to a law or a regulation causes or aims to change, suspend, terminate, or exempt the Company or the Security Provider from any of its obligations under this agreement or any other facility agreement entered into under this agreement; 12- any other event that Cisco reasonably deems to have a material adverse impact; or 13- any change in the ownership or control of the Company that the Company reasonably deems to have a material adverse impact.
Material Restrictions	<ul style="list-style-type: none"> • Any change in the ownership or control of the Company that the Company reasonably deems to have a material adverse impact shall constitute a breach. • The Company may not, under the terms of the facility agreement entered into with Cisco pursuant to the Facility Framework Agreement, issue or approve the issuance of any additional shares or grant options or guarantees for subscription to any other shares in the Company's capital to any person other than the current Shareholders of the Company (as at the date of the Facility Framework Agreement with Cisco).¹
Jurisdiction	The agreement and each facility agreement and promissory note shall be governed by the applicable laws of the Kingdom, and any dispute arising thereunder shall be referred to the Committee for the Settlement of Banking Disputes.

Source: The Company

As at the date of this Prospectus, the agreement is still in effect and the facility agreements entered into under this agreement do not specify a date for expiry of this agreement. It should be noted that the Company has obtained Cisco's approval and acknowledgment that the change in the legal form and ownership structure of the Company as a result of the Offering does not constitute a violation of the agreement, as per the letter dated 09/07/1442H (corresponding to 21/02/2021G).

¹ Note: Cisco's consent to the Offering is being obtained and the consent details will be added to the Prospectus once obtained.

12-6 Agreements with Related Parties

The Company has entered into a number of agreements with Related Parties, and the following section provides a summary of those agreements. The Directors confirm that all agreements with Related Parties described in this Section do not include any preferential conditions and have been executed in accordance with laws and regulations and on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party including the Financial Advisor and the Legal Advisor in respect of the Offering as at the date of this Prospectus.

Moreover, the Directors declare that they will comply with Article 71 and 72 of the Companies Law and Article 44 (including not voting on resolutions of the Board or General Assembly on works and contracts entered into for the Company if they have a direct or indirect interest therein, avoiding conflicts of interest, and notifying the Board of conflicts of interest that might influence their neutrality when reviewing the matters under consideration by the Board, in which case the Board shall not include this member in the deliberations, and their vote shall not be counted in meetings on these matters in meetings of the Board and in shareholders assemblies) of the CMA Corporate Governance Regulations in relation to transactions with Related Parties. These transactions were approved by the Independent Directors at the recommendation of the Audit Committee, for FY18, FY19 and FY20. The transactions for FY18, FY19 and FY20 include the sale of goods and services to or through Related Parties amounting to SAR 3.4 billion, SAR 4.2 billion, and SAR 5.1 billion, respectively (representing 84.5%, 79.4% and 74.2%, respectively, of net revenues for the same period), in addition to purchases from Related Parties amounting to SAR 814 million, SAR 186.7 million, and SAR 252.1 million during 2018G, 2019G and 2020G, respectively (representing 2.6%, 4.2% and 4.6%, respectively, of the cost of revenue for the same period). The Company also offered discounts on specific Related Party projects, which amounted to SAR 100 million in 2018G and SAR 199.1 million in 2020G (which represented 2.4% and 2.8%, respectively, of total revenues, net for the same period).

Moreover, the Directors confirm their intention to comply with Article 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued by the CMA in relation to not competing with the Company.

The Directors also declare that they will not approve proposed contracts and transactions of the Company with any Related Party (including stc) until obtaining the opinion of the Audit Committee on these contracts and transactions based on the competencies of the Audit Committee set out in Article 55 of the Corporate Governance Manual.

12-6-1 Agreements with stc

The Company has entered into ninety-one (91) transactions with stc. The Company's revenues from its transactions with stc, whether as a direct customer or sales partner, through the sell-to-stc channel amounted to SAR 1,723,948,716, SAR 2,063,344,799, and SAR 2,424,100,570 in 2018G, 2019G and 2020G, respectively, while the Company's revenues from the sell-through-stc channel amounted to SAR 1,691,581,356, SAR 2,111,215,850 and SAR 2,690,747,364 in 2018G, 2019G and 2020G, respectively. These transactions are considered Related Party transactions according to the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations, given that stc is a substantial shareholder in the Company and a number of Directors have an interest in these transactions as employees of stc, namely Riyadh Saeed Muawad, Haithem Mohammed AlFaraj, Emad Oudah AlOudah, Omar Abdulaziz AlShabibi, Mathad Faisal AlAjmi, and Mohammed Abdullah AlAbbadi. However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given that pursuant to Paragraph (5) of Article 58 of the Rules of Listed Companies, an interest shall not be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to a company affiliate who is or whose relative is a board member or senior executive. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly. These transactions were approved by the Independent Directors at the recommendation of the Audit Committee on 17/09/1442H (corresponding to 29/04/2021G). This section provides a summary of the transactions between the Company and stc as at the date of this Prospectus. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any other transactions or agreements in place with stc as at the date of this Prospectus.

A. Material Agreements with stc

The Company has entered into fifteen (15) material agreements with stc, including agreements with stc as a customer of the Company, agreements with stc as a supplier of the Company, and agreements with stc to work together to provide services to customers, in which stc subcontracts the Company, as well as a license agreement to use the Company's Trademark. Following is a summary of these transactions:

1- **Agreements with stc as a Client of the Company**

- **Framework Agreement**

The Company entered into a framework agreement with stc, effective as of 16/11/1435H (corresponding to 11/09/2014G),

whereby the Company provides the required services to stc in accordance with a subsequent contract between the two parties. This agreement does not contain any exclusive arrangements between the parties and stc is not subject to minimum obligations under this agreement.

The agreement was renewed as of 05/12/1437H (corresponding to 06/09/2016G) up to 19/01/1441H (corresponding to 18/09/2019G). The agreement is automatically renewable for a similar period unless either party notifies the other in writing of its intention not to renew thirty (30) days before the expiry of the agreement renewal term.

Under the contracts entered into pursuant to the Framework Agreement, stc shall pay to the Company the costs, ratios and fees agreed upon between the two parties.

The agreement is governed by the applicable laws of the Kingdom and does not provide a mechanism for resolving disputes.

- **Master Purchase Agreement**

The Company entered into a master purchase agreement for professional services to provide consulting work with stc, effective as of 17/03/1441H (corresponding to 24/11/2019G). Pursuant to the agreement, the Company provides technology-consulting services, organizes daily activities related to the implementation of plans and recommendations, manages stc's business, and ensures compliance with quality standards. This agreement does not contain any exclusive arrangements between the parties and stc is not subject to minimum obligations under this agreement.

This agreement is effective until 07/06/1444H (corresponding to 31/12/2022G), and does not include any provisions regarding renewal. stc shall pay the specified amounts upon performance of the work to be delivered.

The Company shall not, within the Kingdom, assign any of its employees involved in or in charge of projects under this agreement to carry out other similar works or projects (in terms of the scope of work and deliverables) which would compete with the stc's business, for the entire term of the service request and for an additional period equal to the term of the service request as of the date the service request is completed, during or outside working hours, provided that the additional period does not exceed three (3) months.

stc may, at its discretion and option, terminate this agreement at any time with a prior thirty (30) day written notice to the Company.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in Riyadh.

- **Service Support Agreement**

The Company entered into a service support agreement with stc, effective as of 13/06/1439H (corresponding to 01/03/2018G), as amended on 26/05/1440H (corresponding to 01/02/2019G), whereby the Company provides support services to stc, which include outsourcing services under work orders issued thereby according to the approved costs and that include the nature of the activities as detailed by stc. stc is not subject to minimum obligations under this agreement.

This agreement is effective until 27/07/1443H (corresponding to 28/02/2022G), and may be renewed for one or more periods by agreement between the parties and does not renew automatically.

stc shall pay the value of the work orders issued pursuant to a schedule agreed upon with the Company according to monthly claims. Moreover, stc shall pay a fee agreed upon between the two parties, plus the actual cost that the Company bears in respect of the items specified in the agreement.

stc may, at any time without reason or justification, terminate this agreement or any part thereof by a written notice to the contractor that includes the agreement termination date, in which case the Company is entitled to the value of the work it has performed up to the specified termination date.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

- **Framework Agreement for the Implementation of Data Cybersecurity Tools**

On 16/09/1442H (corresponding to 28/04/2021G), the Company entered into a framework agreement for the application of cybersecurity data tools with stc, whereby the Company applies the data tools to the cybersecurity project, which must include the following services that will be supplied, installed, integrated and tested by the Company:

- Database encryption: Expand the existing database security solution to include additional systems.
- Sandbox Security Solution: Add an anti-hacking solution that integrates with Fortinet Security Fabric (FortiGate Firewall and FortiWb WAF) to respond to rapidly evolving and most targeted threats including ransomware, encrypted malware, and other digital attacks.

- Service creation and integration: Given that the stc network is subject to changes that may be additional in nature, professional services have been added to address these changes.
- The Company shall provide the tools, personnel and any necessary requirements for the execution and completion of the works.

Works and services are carried out by request, and the Company issues work orders from time to time specifying all details, including prices.

The agreement is effective for eighteen (18) months as of 16/09/1442H (corresponding to 28/04/2021G).

The estimated value of the agreement is one million, nine hundred seventy-three thousand, thirty-five Saudi riyals and sixty-eight halalas (SAR 1,973,035.68). However, the total value of the agreement must be determined based on the total work orders issued. The Company may terminate the agreement by a 30-day notice prior to the date of termination.

All technical information, business data, software and related documentation provided or that may be provided by the parties is confidential. The agreement may not be published without the prior written consent of stc.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within sixty (60) days shall be settled by the competent courts in Riyadh.

- **Framework Agreement for the Implementation of Core NR 2021**

On 11/10/1442H (corresponding to 23/05/2021G), the Company entered into a framework agreement for the implementation of the Core NR 2021 project with stc, pursuant to which the Company will implement the Core NR 2021 project, which must include, but is not limited to, capacity extensions, integration, MVIV and configuration services in transfer and infrastructure core network, including data, basic voice control, underlying services, and IP/MPLS network elements. These services shall be supplied, installed, integrated and tested by the Company. The Company shall also provide the tools, equipment personnel and any necessary requirements for the execution and completion of the works.

Works and services are carried out by request, and the Company issues work orders from time to time specifying all details, including prices.

The agreement is effective for eighteen (18) months as of 11/10/1442H (corresponding to 23/05/2021G).

The estimated value of the agreement is two million, ninety-nine thousand, eight hundred fifty-five Saudi riyals (SAR 2,099,855.05). However, the total value of the agreement must be determined based on the total work orders issued. The Company may terminate the agreement by a 30-day notice prior to the date of termination.

All technical information, business data, software and related documentation provided or that may be provided by the parties is confidential. The agreement may not be published without the prior written consent of stc.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within sixty (60) days shall be settled by the competent courts in Riyadh.

2- **Agreements with stc as a Supplier of the Company**

- **Wholesale Agreement**

In 2015G, the Company entered into a wholesale agreement with stc, under which stc provides wholesale services to the Company in order to enable it to develop retail services. stc enables the Company to access the local and global internet through customized connections to stc's IP networks in Riyadh and Jeddah. Furthermore, the two parties shall, pursuant to the agreement, coordinate and cooperate in a range of activities, including but not limited to service development, service use management, promotion requirements and marketing activities.

The Company shall pay to stc specific fees based on the outlet capacity, as agreed upon by the two parties. This agreement does not contain any exclusive arrangements between the parties and stc is not subject to minimum obligations under this agreement.

Either party may, at its option, terminate this agreement by a twenty-four (24) month written notice or the last expired notice period indicated in the active service schedule, whichever is longer. The service schedule may be terminated in accordance with the agreement by either party submitting a written notice of at least three months to the other party (except in cases where the service schedule is less than three (3) months). The agreement does not provide a mechanism for payment of amounts due upon completion.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

- **Bulk SMS Agreement**

On 22/10/1441H (corresponding to 14/06/2020G), the Company entered into an agreement for provision of bulk messaging services through an SMS center (SMSC) with stc, whereby stc provides bulk messaging services by connecting the Company's devices to stc's SMSC.

The term of this agreement is for one Gregorian year, effective as of the date the basic package is activated. The agreement may be extended for up to three (3) more additional months under the same terms and conditions, provided that the Company notifies stc in writing of its intention to extend the package period by a period of no less than thirty (30) days before the expiry of the package period.

stc shall provide eight hundred twenty-five million (825,000,000) messages with a total value of thirty-three million Saudi riyals (SAR 33,000,000). The Company shall pay to stc the fees for the services included in this agreement based on monthly consumption according to the tariff agreed upon between the two parties. This agreement does not contain any exclusive arrangements between the parties.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within (60) days shall be settled by the competent courts in Riyadh.

If the balance of agreed messages runs out and the Company sends additional messages, the messaging rates will be determined according to the agreed tariff.

3- **Agreements with stc to work Together to Provide Services to Customers**

- **Cloud and Managed Services Agreement**

On 02/08/1437H (corresponding to 09/03/2016G), the Company entered into a cloud and managed services agreement with stc, whereby the Company provides the following services to stc:

- access to the Company's cloud framework on a white label basis; and
- certain managed services to support stc to offer them in the cloud services and products it provides to its customers.

The agreement was amended on 23/07/1442H (corresponding to 07/03/2021G) to extend the initial term of the agreement until 16/05/1442H (corresponding to 31/12/2020G), automatically renewable for an additional five (5) years unless either party expresses its intention not to renew by sending a prior written notice at least one hundred eighty (180) days before the expiry date of the original agreement.

Either party may, without cause, terminate this agreement by sending a prior written notice of at least three hundred sixty-five (365) days, and the term shall expire on the last day of the initial or renewed term (if any). This agreement may be terminated for any reason without prejudice to any obligation or right vis-à-vis any party prior to this termination.

stc shall pay to the Company a percentage of the declared price paid by stc's end user. The percentage paid by stc depends on the category of the relevant cloud products purchased by the end user, according to the percentages set out in the following table:

Table (12-8): Cloud and Managed Services Agreement Percentages

Cloud Product Category	stc's Percentage	Company's Percentage
Cloud data center services - (COLO)	80%	20%
Cloud Core services	30%	70%
Cloud Partner services (SaaS) and managed cloud services	5%	95%
Cloud data services (connectivity)	76%	24%

Source: The Company

Pursuant to this agreement, stc shall contract exclusively with the Company to provide the services subject of the agreement. The Company may not license any of its products or platforms under this agreement to a third party without the prior consent of stc. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

- **Managed and Digital Services Agreement**

The Company entered into a managed and digital services agreement with stc, effective as of 03/04/1438H (corresponding to 01/01/2017G), whereby the Company provides activities to develop and manage products for managed and digital services (including business sponsorship development, ideation of products and services, value proposition, bundling,

pricing, and marketing), while stc provides sales and business development activities for managed and digital services (including customer billing, payment collection, and customer service management). Some of the services provided under this agreement will be reduced once any of stc's other subsidiary companies obtain a digital certification services license.

The agreement was amended on 23/07/1442H (corresponding to 07/03/2021G) to extend the initial term of the agreement until 16/05/1442H (corresponding to 31/12/2020G), automatically renewable for an additional five (5) years unless either party expresses its intention not to renew by sending a prior written notice at least one hundred eighty (180) days before the expiry date of the original agreement.

stc shall pay to the Company a percentage of the revenues earned from stc's customers. These percentages vary according to whether they are one-time fees, monthly recurring charges, or usage-based fees. The following table sets out these percentages:

For Managed Services:

Table (12-9): Percentages for Managed Services under the Managed and Digital Services Agreement with stc

Service	stc's Percentage	Company's Percentage
One-time fees		
Installation and configuration	5%	95%
Procurement of hardware, software, cables and accessories	5%	95%
Equipment maintenance fees	5%	95%
Transfer/addition/change/deletion	5%	95%
Professional service fees	5%	95%
Monthly recurring charges and usage-based fees		
Subscription/usage fee	15%	85%
Management fee	15%	85%

For Digital Services:

Table (12-10): Percentages for Digital Services under the Managed and Digital Services Agreement with stc

Service	stc's Percentage	Company's Percentage
One-time fees		
Installation and configuration	5%	95%
Professional service fees	5%	95%
Procurement of hardware, software, cables and accessories	5%	95%
Monthly recurring charges and usage-based fees		
Subscription/usage fee	15%	85%
Management fee	15%	85%

Source: The Company

Pursuant to this agreement, stc shall contract exclusively with the Company to provide the services subject of the agreement, with the exception of managed security services. The Company may not license any of its products or platforms under this agreement to a third party without the prior consent of stc. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

- **DIA Services Agreement**

On 20/03/1437H (corresponding to 31/12/2015G), the Company entered into a joint cooperation agreement with stc for delivery of internet services and solutions to the customers of stc's Business Unit, whereby the two parties agreed to the Company acting as a subcontractor to implement projects for delivery of internet services and solutions to customers of stc's Business Unit. This also includes supplying the materials, equipment and all necessary tools that enable the customer to use the service. To do so, stc shall contract directly with the customers and then issue work orders to the Company.

The agreement was amended on 23/07/1442H (corresponding to 07/03/2021G) to extend the initial term of the agreement until 16/05/1442H (corresponding to 31/12/2020G), automatically renewable for an additional five (5) years unless either party expresses its intention not to renew by sending a prior written notice at least one hundred eighty (180) days before the expiry date of the original agreement.

The value of this agreement is based on the selling price of a 1 MB unit of internet services and solutions, as agreed upon by the two parties.

stc requests the Company to provide a pricing formula for each customer for delivery of internet services and solutions, and stc may not offer any discounts on delivery of internet services and solutions related to the fields proposed by the Company, regardless of their percentage, unless approved by the Company.

stc shall pay a percentage of the revenues earned from the Company's internet services. The following table sets out these percentages:

Table (12-11): Percentages of the DIA Services Agreement with stc

Type of Revenue	stc's Percentage	Company's Percentage
Installation fees (paid one time)	4%	96%
Internet services	4%	96%
Internet solutions services	4%	96%

Source: The Company

Pursuant to this agreement, stc shall contract exclusively with the Company to provide the services subject of the agreement. Neither party may license or market its products under this agreement to a third party. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in the Kingdom.

- **Smart Homes Service Supply Agreement**

The Company entered into a smart homes supply service agreement with stc, effective as of 23/11/1439H (corresponding to 05/08/2018G), whereby the Company provides services to landline telephone customers of the consumer business unit. The initial offering comprises a startup kit, a mobile app, an option that enables customers to add additional hardware to their startup kit and home automation and security packages.

The agreement is effective until 26/12/1442H (corresponding to 05/08/2021G), and it may be renewed with the written consent of the two parties ninety (90) days prior to the expiry of the original or renewed term.

stc shall pay a percentage of the revenues earned from the Company's smart homes service. The following table sets out these percentages:

Table (12-12): Percentages of the Smart Homes Service Supply Agreement with stc

Type of Revenue	stc's Percentage	Company's Percentage
Monthly subscription revenue	15%	85%
One-time hardware fee revenue	5%	95%
One-time installation revenue, excluding installation revenue for customers when they change their addresses	5%	95%
Installation revenue for customers when they change their addresses	0%	100%

Source: The Company

stc may not contract with any other supplier of smart homes services for two years as of the effective date of the agreement. Either party may, without cause, terminate this agreement by sending a 180-day written notice to the other party. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in the Kingdom.

- **VSAT Services Agreement**

On 15/10/1438H (corresponding to 09/07/2017G), the Company entered into a satellite telecommunications services agreement with stc, pursuant to which the two parties agreed that the Company will provide satellite telecommunications services to stc's customers (as a subcontractor). To do so, stc shall contract directly with the customers and then issue work orders to the Company.

The agreement is effective until 07/06/1444H (corresponding to 31/12/2022G), and it may be extended for a similar period(s) based on a renewal appendix signed by the two parties. The agreement was amended on 14/07/1442H (corresponding to 26/02/2021G) to extend the initial term of the agreement until 16/05/1442H (corresponding to 31/12/2020G), automatically renewable for an additional five (5) years unless either party expresses its intention not to renew by sending a prior written notice at least one hundred eighty (180) days before the expiry date of the original agreement.

stc shall pay a percentage of the revenues earned from the Company’s satellite telecommunications services. The following table sets out these percentages:

Table (12-13): Percentages of the Satellite Telecommunications Services Agreement with stc

Type of Revenue	stc’s Percentage	Company’s Percentage
SAT P2P and SAT IP services	73%	27%
SAT Net services	55%	45%
One-time costs of hardware and services provided by the Company	0%	100%

Source: The Company

Moreover, the two parties have agreed to set prices for satellite telecommunications services, which may be reduced only by a written agreement between the Company and stc.

Pursuant to this agreement, stc shall contract exclusively with the Company to provide the services subject of the agreement. Neither party may license or market its products under this agreement to a third party. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in Riyadh.

- **AAmal Net Agreement**

On 07/04/1431H (corresponding to 23/02/2010G), the Company entered into an agreement with stc, whereby the Company provides, maintains, and manages the shared services (Business Net) assigned by stc under its guidance.

This agreement is effective until terminated by either party. The agreement was amended on 23/07/1442H (corresponding to 07/03/2021G) to extend the initial term of the agreement until 16/05/1442H (corresponding to 31/12/2020G), automatically renewable for an additional five (5) years unless either party expresses its intention not to renew by sending a prior written notice at least one hundred eighty (180) days before the expiry date of the original agreement. Either party may terminate the agreement and the agreement does not describe the mechanism for payment of dues upon termination.

stc shall pay to the Company a percentage of the revenue earned from the end user for the services, as agreed upon by the two parties.

Pursuant to this agreement, stc shall contract exclusively with the Company to provide the services subject of the agreement. The Company may not license any of its products or platforms under this agreement to a third party without the prior consent of stc. stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in Riyadh.

- **Subcontract Framework Agreement**

On 04/04/1441H (corresponding to 01/12/2019G), the Company entered into a subcontract framework agreement with stc, whereby the Company was mandated to perform certain work or provide certain services to stc’s end customers. In particular, the Wholesale Business Unit of stc may subcontract to the Company certain tasks relating to advanced technologies and communications solutions, and the exact scope of work will be documented in a purchase order per assignment. stc shall be responsible before its customers for its obligations under the Master Agreement, including works subcontracted to the Company.

The agreement is effective until 07/05/1444H (corresponding to 01/12/2022G), renewable for a similar period unless stc notifies the Company in writing of its intention not to renew thirty (30) days prior to the expiry of the term of the agreement or any renewal thereof.

The two parties shall, in each case, agree on how the Company will price its subcontracting services.

stc may, without cause, terminate the agreement or any purchase order, under a sixty (60) day prior written notice to the Company. Upon termination of the agreement, stc shall pay the amount agreed upon between the two parties to cover costs incurred that are directly related to the purchase order and not personnel affairs.

stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in Riyadh.

4- Trademark License Agreement

On 20/07/1442H (corresponding to 04/03/2021G), the Company entered into an agreement with stc to license the use of the trademark "solutions by stc," under which stc grants the Company a sole, exclusive and irrevocable license to use the trademark "solutions by stc" throughout the world and re-license it to third parties during the ten (10) year term of the agreement, which is automatically renewable for additional ten (10) years (for further details about the trademark the Company obtained the right to use under this agreement, please refer to Section 12.8.1 "Trademarks" of this Prospectus). It should be noted that the Company shall obtain the consent of stc prior to re-licensing the trademark or transferring its rights under the agreement to third parties (with the exception of any subsidiaries).

Pursuant to this agreement, the Company shall pay an annual royalties fee to stc, calculated on the basis of 0.25% of the Company's total revenues, starting from 28/05/1443H (corresponding to 01/01/2022G). Such fee shall be reviewed by stc every five (5) years.

Either party may terminate this agreement with a sixty (60) day prior notice to the other party in the event that the other party has materially breached its obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in the Kingdom.

The Company has granted its no-objection to Qualitynet to use the Company's Trademark in the State of Kuwait for a period of one year until Qualitynet concludes an agreement with the Company that regulates its use of the Company's Trademark in the State of Kuwait, pursuant to a no-objection letter submitted by the Company on 12/10/1442H (corresponding to 24/05/2021G).

(For further details about the risks associated with this agreement, see Section 2.1.16 "Risks Related to the Company's Use of a Trademark Owned by stc and Protection of the Intellectual Property Rights Used by the Company" of this Prospectus.)

B. Other Transactions with stc

The Company has entered into other transactions with stc, none of which, per se, are material, but they may, in their entirety, be material since they are part of the Company's relationships with stc. This section provides a summary of the immaterial transactions between the Company and stc as at the date of this Prospectus:

1- Client Agreements Wherein stc is a Direct Client of the Company

Table (12-14): Other Client Agreements Wherein stc is a Direct Client of the Company as at the Date of this Prospectus

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
1.	IT operation agreement	stc and the Company	05/05/1441H (corresponding to 31/12/2019G)	Until 07/06/1444H (corresponding to 31/12/2022G)	stc purchases IT hardware, software, and services from the Company	Estimated value of this agreement is divided into several purchase orders (the first purchase order is for SAR 1,800,000; the purchase order(s) for the second and third year will be determined according to the budget)
2.	Service agreement	stc and the Company	16/11/1441H (corresponding to 07/07/2020G)	Until 27/11/1442H (corresponding to 31/12/2022G)	stc purchases cybersecurity services from the Company	SAR 500,000
3.	IT operation agreement	stc and the Company	06/07/1441H (corresponding to 01/03/2020G)	Until 24/01/1443H (corresponding to 01/09/2021G)	stc purchases IT components from the Company	SAR 7,999,661.95

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
4.	Managed operational and technical services agreement	stc and the Company	10/08/1441H (corresponding to 03/04/2020G)	Until 24/09/1445H (corresponding to 03/04/2024G)	stc purchases IT components from the Company	Estimated value of agreement is divided into purchase orders for four years (the first purchase order is for SAR 28,398,860 and the second purchase order will be determined according to the budget)
5.	IT operation agreement	stc and the Company	29/06/1441H (corresponding to 23/02/2020G)	Until 03/08/1444H (corresponding to 23/02/2023G)	stc purchases IT products and services from the Company	SAR 22,497,668 (estimate only; may increase or decrease according to the purchase orders or an agreement between the parties)
6.	Framework agreement	stc and the Company	12/05/1441H (corresponding to 07/01/2020G)	Until 27/11/1442H (corresponding to 07/07/2021G)	stc purchases licenses to renew a cyber threat intelligence platform from the Company	SAR 5,799,999
7.	IT operation agreement	stc and the Company	08/08/1441H (corresponding to 01/04/2020G)	Until 29/08/1443H (corresponding to 01/04/2022G)	stc purchases IT security support services from the Company	SAR 57,749,227.50 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
8.	IT operation agreement	stc and the Company	08/09/1441H (corresponding to 31/05/2020G)	Until 26/04/1442H (corresponding to 01/12/2021G)	stc purchases Hybrid SIEM expansion services from the Company	SAR 9,400,000 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
9.	IT operation agreement	stc and the Company	11/12/1441H (corresponding to 01/08/2020G)	Until 20/09/1442H (corresponding to 01/06/2021G)	stc purchases Hybrid SIEM support services from the Company	SAR 2,752,941.17 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
10.	IT operation agreement	stc and the Company	12/01/1442H (corresponding to 31/08/2020G) (Agreement signing date)	Until 15/02/1445H (corresponding to 31/08/2023G)	stc purchases IT hardware, software, and services from the Company	SAR 12,799,440 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
11.	Managed operational and technical services contract	stc and the Company	28/02/1442H (corresponding to 15/10/2020G)	Until 09/03/1443H (corresponding to 15/10/2021G)	stc purchases operational support services and services related to monitoring and maintenance of IT components from the Company	SAR 7,800,000 (estimate only; prices will be determined by the purchase orders)
12.	Framework agreement for performance of CS Implementation and Optimization 2020 project-related operations	stc and the Company	13/02/1442H (corresponding to 30/09/2020G)	Until 15/03/1445H (corresponding to 30/09/2023G)	stc purchases IT and network security tools from the Company in order to carry out operations related to the CS Implementation and Optimization 2020 project	SAR 3,657,500
13.	IT operation agreement	stc and the Company	03/03/1442H (corresponding to 20/09/2020G)	Until 16/08/1443H (corresponding to 19/03/2022G)	stc purchases IT hardware, software, and services from the Company	SAR 7,324,287.74 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
14.	CS SOAR 2020 IT operation agreement	stc and the Company	12/03/1442H (corresponding to 29/10/2020G)	Until 28/09/1443H (corresponding to 29/04/2022G)	stc purchases IT hardware, software, and services from the Company	SAR 2,920,934.44 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
15.	Consulting services - CS framework contract	stc and the Company	28/02/1442H (corresponding to 15/10/2020G)	Until 14/09/1443H (corresponding to 15/04/2022G)	stc purchases risk and compliance services from the Company	SAR 18,700,531.74
16.	A service agreement for delivery of CS strategy	stc and the Company	28/02/1442H (corresponding to 15/10/2020G) (Agreement signing date)	Until 14/09/1443H (corresponding to 15/04/2022G)	stc purchases services from the Company related to the implementation of the digitization security planning framework and methodology	SAR 2,306,530.90 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
17.	Service agreement related to provision of professional cybersecurity risk and resilience services	stc and the Company	03/03/1442H (corresponding to 20/10/2020G)	Until 19/09/1443H (corresponding to 20/04/2022G)	stc purchases services from the Company related to enhancement of the resilience of cybersecurity operations, technology, and human resources	SAR 2,695,000 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
18.	IT operation agreement for Company quality management	stc and the Company	03/02/1442H (corresponding to 20/09/2020G) (Agreement signing date)	Until 16/05/1443H (corresponding to 20/12/2021G)	stc purchases professional services for the enterprise digital process management platform from the Company	SAR 22,000,000 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
19.	IT operation agreement dated 06/07/1441H (corresponding to 01/03/2020G)	stc and the Company	03/07/1441H (corresponding to 17/03/2020G)	Until 10/02/1443H (corresponding to 17/09/2021G)	stc purchases management application security services from the Company	SAR 15,000,000 (estimate only; may increase or decrease based on the purchase orders or an agreement between the parties)
20.	Teleco Cloud managed O&M services contract	stc and the Company	02/02/1441H (corresponding to 01/10/2019G) (Agreement signing date)	Until 24/02/1443H (corresponding to 01/10/2021G)	stc purchases operation, maintenance, and support services from the Company	SAR 5,089,119.53
21.	IT operation agreement for CS IT expansion 2020	stc and the Company	18/11/1441H (corresponding to 09/07/2020G)	Until 05/06/1443H (corresponding to 08/01/2022G)	stc purchases IT hardware, software, and services from the Company	SAR 697,059
22.	IT operation agreement for Project No. 72649	stc and the Company	28/11/1441H (corresponding to 19/07/2020G) (Agreement signing date)	Until 20/12/1443H (corresponding to 19/07/2022G)	stc purchases IT hardware, software, and services from the Company	SAR 17,077,134.99
23.	IT operation agreement for Project No. 72499	stc and the Company	08/01/1442H (corresponding to 27/08/2020G) (Agreement signing date)	Until 29/01/1444H (corresponding to 27/08/2022G)	stc purchases IT hardware, software, and services from the Company	SAR 79,852,274.73
24.	Framework agreement for supply of a web blocking product	stc and the Company	14/02/1442H (corresponding to 01/10/2020G) (Agreement signing date)	Until 16/03/1445H (corresponding to -01/10/2023G)	stc purchases maintenance and technical support services related to the implementation of the web blocking project from the Company	SAR 3,789,473.68
25.	Framework agreement for the supply, renewal and maintenance of licenses	stc and the Company	08/09/1441H (corresponding to 01/05/2020G) (Agreement signing date)	Until 11/10/1444H (corresponding to 01/05/2023G)	stc purchases services related to the renewal of various licenses from the Company	SAR 125,619,044.78
26.	IT operation agreement for Project No. 72434	stc and the Company	12/01/1442H (corresponding to 31/08/2020G)	Until 11/08/1444H (corresponding to 31/02/2023G)	stc purchases IT hardware, software, and services from the Company	SAR 6,998,416.13
27.	IT operation agreement for Project No. 72263	stc and the Company	12/01/1442H (corresponding to 31/08/2020G)	Until 15/02/1445H (corresponding to 31/08/2023G)	stc purchases IT hardware, software, and services from the Company	SAR 14,702,769.83
28.	IT component service contract	stc and the Company	10/08/1441H (corresponding to 03/04/2020G)	Until 24/09/1445H (corresponding to 03/04/2024G)	stc purchases IT component services	SAR 28,398,860

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
29.	Mobile Aspiration Project	stc and the Company	06/05/1441H (corresponding to 01/01/2020G)	Until 28/05/1443H (corresponding to 01/01/2022G)	stc purchases relevant hardware, software, services, and tools	SAR 10,650,796
30.	IT operation agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	21/11/1442H (corresponding to 01/07/2021G)	stc purchases services to improve the existing functionality of the One View (OV) system that provides a 360 degree view of the customer to call centers and field agents to obtain all required details of services to enable troubleshooting of this service	SAR 14,999,858.16
31.	Vulnerability management agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	Until 13/12/1444H (corresponding to 01/07/2023G)	stc purchases CS vulnerability management expansion services	SAR 3,780,128.49
32.	Digital transformation program agreement	stc and the Company	09/04/1442H (corresponding to 24/11/2020G)	Until 10/05/1445H (corresponding to 24/11/2023G)	stc purchases licenses for digital transformation programs	SAR 34,634,966
33.	New licenses agreement	stc and the Company	04/04/1442H (corresponding to 19/11/2020G)	Until 14/04/1443H (corresponding to 19/11/2021G)	stc purchases software licenses (such as Whatsapp, Microsoft, etc.)	SAR 16,837,846.96
34.	O&M project agreement	stc and the Company	11/12/1441H (corresponding to 01/08/2020G)	Until 14/01/1445H (corresponding to 01/08/2023G)	stc purchases relevant technical support services	SAR 5,674,461.69
35.	IT and related services agreement	stc and the Company	04/11/1441H (corresponding to 25/06/2020G)	Until 26/11/1443H (corresponding to 25/06/2022G)	stc purchases business development services (such as IT services)	Parties agree to the value of each potential project in accordance with the agreement, provided the total value of all projects within the scope of the agreement is no more than SAR 100,000,000
36.	Multilateral channel database re-engineering agreement	stc and the Company	24/11/1441H (corresponding to 15/07/2020G)	Until 05/12/1442H (corresponding to 15/07/2021G)	stc purchases IT services	SAR 2,939,461.32
37.	IT operation agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	Until 27/05/1443H (corresponding to 31/12/2021G)	stc purchases IT services	SAR 30,000,000
38.	IT operation agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	Until 20/11/1442H (corresponding to 30/06/2021G)	stc purchases IT services	SAR 350,000
39.	IT operation agreement	stc and the Company	08/01/1442H (corresponding to 27/08/2020G)	Until 29/01/1444H (corresponding to 27/08/2022G)	stc purchases IT services	SAR 84,955,808.75
40.	Framework contract for implementation of Netccol expansion agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	Until 02/12/1443H (corresponding to 01/01/2022G)	stc purchases maintenance and related services	SAR 6,199,955.48
41.	Framework contract for implementation of Mobile 'Aspiration' expansion agreement	Substantial shareholder and the Company	02/12/1441H (corresponding to 23/07/2020G)	Until 05/01/1445H (corresponding to 23/07/2023G)	stc purchases IT services and related services	SAR 6,590,000
42.	Service and maintenance agreement	stc and the Company	10/11/1441H (corresponding to 01/07/2020G)	Automatic annual renewal	stc procures services and maintenance	SAR 703,250
43.	Service agreement	stc and the Company	04/01/1442H (corresponding to 23/08/2020G)	Until 25/01/1444H (corresponding to 23/08/2022G)	stc purchases support, tools, hardware, labor, and other related services	SAR 5,100,439.06

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
44.	Service agreement	stc and the Company	13/01/1442H (corresponding to 01/09/2020G)	Until 16/02/1445H (corresponding to 01/09/2023G)	stc purchases IT services (such as repair and replacement)	SAR 400,000
45.	Spare parts agreement	stc and the Company	13/01/1442H (corresponding to 01/09/2020G)	Until 16/02/1445H (corresponding to 01/09/2023G)	stc purchases spare parts	SAR 500,000
46.	IT agreement	stc and the Company	01/01/1442H (corresponding to 20/08/2020G)	Until 12/01/1443H (corresponding to 20/08/2021G)	stc purchases implementation services related to specific software licenses	SAR 7,140,044.16
47.	Service agreement	stc and the Company	13/01/1442H (corresponding to 01/09/2020G)	Until 16/02/1445H (corresponding to 01/09/2023G)	stc purchases IT services, including in general the design and implementation of an interactive system as part of the digital transformation program which aims to serve stc in the new digital economy by implementing a digital trial platform that will be used by the various satellite channels of stc's customers	SAR 11,563,641
48.	IT agreement	stc and the Company	03/03/1442H (corresponding to 20/10/2020G)	Until 13/03/1443H (corresponding to 19/10/2021G)	stc purchases IT services	SAR 4,734,889
49.	Service agreement	stc and the Company	21/02/1442H (corresponding to 08/10/2020G)	Until 02/03/1443H (corresponding to 08/10/2021G)	stc purchases IT services related to the implementation of IGW 2020, which include the Company expanding and updating various internet portal devices	SAR 29,039,888.66
50.	Service agreement	stc and the Company	21/02/1442H (corresponding to 08/10/2020G)	Until 23/03/1445H (corresponding to 08/10/2023G)	stc purchases IT services	SAR 11,817,416.53
51.	Service agreement	stc and the Company	21/02/1442H (corresponding to 08/10/2020G)	Until 23/03/1445H (corresponding to 08/10/2023G)	stc purchases IT services	SAR 8,937,056.61
52.	Service agreement	stc and the Company	28/02/1442H (corresponding to 15/10/2020G)	Until 08/03/1443H (corresponding to 14/10/2021G)	stc purchases IT services	SAR 5,070,830.40
53.	Service agreement	stc and the Company	11/02/1442H (corresponding to 28/09/2020G)	Until 21/02/1443H (corresponding to 28/10/2021G)	stc purchases IT services	SAR 974,557.58
54.	Service agreement	stc and the Company	08/03/1442H (corresponding to 25/10/2020G)	Until 24/09/1443H (corresponding to 25/04/2022G)	stc purchases IT services	SAR 1,544,117.65
55.	Service agreement	stc and the Company	26/03/1442H (corresponding to 12/11/2020G)	Until 28/04/1445H (corresponding to 12/11/2023G)	stc purchases IT services	SAR 38,405,671.37
56.	IT operation agreement for Project No. 5171691	stc and the Company	07/06/1441H (corresponding to 01/02/2020G)	Until 03/03/1444H (corresponding to 29/09/2022G)	stc purchases IT hardware, software, and services	SAR 20,729,486.69
57.	Framework contract for the implementation of the WIFI 'Aspiration' 2019-2020 project	stc and the Company	26/08/1440H (corresponding to 01/05/2019G)	Until 30/09/1443H (corresponding to 01/05/2022G)	stc purchases services related to the implementation of the WIFI 'Aspiration' 2019-2020 project	SAR 36,295,790.61
58.	IT operation agreement (Data Center Equipment - Phase 1)	stc and the Company	13/10/1440H (corresponding to 16/06/2019G)	Until 17/11/1443H (corresponding to 16/06/2022G)	stc purchases IT hardware, software, and services	SAR 58,887,868, subject to increase

#	Address	Parties	Agreement Start Date	Term	Subject	Value (if any)
59.	IT operation agreement (Central Servers and Storage Units for Jawwy 2020)	stc and the Company	15/05/1442H (corresponding to 30/12/2020G)	Twenty-four (24) months	stc purchases IT hardware, software, and services	SAR 21,340,658.9
60.	Framework agreement for performance of CS Implementation and Optimization 2020 project	stc and the Company	16/05/1442H (corresponding to 31/12/2020G)	Eighteen (18) months	stc purchases services related to CS implementation and optimization of stc's security controls	SAR 4,890,000
61.	Framework agreement for issuance and renewal of Microsoft 2020 licenses	stc and the Company	17/05/1442H (corresponding to 01/01/2021G)	Thirty-six (36) months	stc purchases services related to the renewal of Microsoft's agreement and provides maintenance and technical support services	SAR 72,690,003.9
62.	Managed services contract for operation, maintenance and support of stc's IT network components	stc and the Company	17/05/1442H (corresponding to 01/01/2021G)	Twelve (12) months	stc purchases operation, support and maintenance services by transferring day-to-day administrative responsibilities regarding stc's IT components	SAR 3,599,327.24
63.	IT operation agreement for upgrading C-MEX 2020 hardware	stc and the Company	17/05/1442H (corresponding to 01/01/2021G)	Twenty-four (24) months	stc purchases the application and upgrade of the C-MEX platform services	SAR 5,557,809.29
64.	IT operation agreement for CS TI Deception Technology Expansion 2020 Project	stc and the Company	15/05/1442H (corresponding to 30/12/2020G)	Eighteen (18) months	stc purchases IT hardware, software, and services	SAR 4,500,000
65.	IT operation agreement for the cybersecurity enhancement project 2020	stc and the Company	05/05/1442H (corresponding to 20/12/2020G)	Eighteen (18) months	stc purchases IT hardware, software, and services	SAR 10,583,652.01
66.	Managed services contract for the OSS – Netcool Project for Managed Services 2021	stc and the Company	17/05/1442H (corresponding to 01/01/2021G)	Thirty-six (36) months	stc purchases the Company's services for implementation of the Netcool elements of the OSS MS 2021 project through transfer of day-to-day management responsibility	SAR 10,897,000
67.	Managed services contract for the OSS – Open Project for Managed Services 2021	stc and the Company	17/05/1442H (corresponding to 01/01/2021G)	Thirty-six (36) months	stc purchases management and O&M services for the implementation of the OSS MS 2021 project - open	SAR 10,897,000
68.	IT operation agreement for CS Threat Intelligence and Vulnerability Management 2020	stc and the Company	22/05/1442H (corresponding to 06/01/2021G)	Eighteen (18) months	stc purchases IT hardware, software, and services	SAR 7,985,525.82
69.	Framework agreement for implementation of 2020 - LBA Core Network Improvement and Expansion Project	stc and the Company	02/06/1442H (corresponding to 15/01/2021G)	Eighteen (18) months	stc purchases the implementation services related to the 2020 - LBA Core Network Improvement and Expansion Project	SAR 13,500,000
70.	Framework agreement for issuance and renewal of VMware 2020 licenses	stc and the Company	23/05/1442H (corresponding to 07/01/2020G)	Thirty-six (36) months	stc purchases implementation services related to issuance and renewal of VMware 2020 licenses	SAR 54,375,000

Source: The Company

2- A Joint Agreement Between the Company and stc for Delivery of Services to Third Parties

Table (12-15): Other Joint Client Agreements Between the Company and stc for Delivery of Services to Third Parties as at the Date of this Prospectus

#	Address	Parties	Effective Date	Term	Subject	Value (if any)
1.	Framework agreement for application and cloud communications infrastructure for 2020G	stc and the Company	19/11/1441H (corresponding to 09/08/2020G (Agreement signing date))	Until 11/01/1444H (corresponding to 09/08/2022G)	stc is contracted to implement the Telco Cloud project, which involves the tasks of creating a customized SDN environment, expanding the LAB setup, and enhancing the SDN backup and recording solution. The Company was subcontracted to help implement the previous project.	SAR 5,754,167.09
2.	Framework agreement to implement the network function virtual infrastructure	stc and the Company	20/01/1442H (corresponding to 08/09/2020G)	Until 15/08/1443H (corresponding to 18/03/2022G)	stc is contracted to implement the network function virtual infrastructure project, which involves the tasks of expanding VIM and SDN as far as required to maintain the data centers. The Company was subcontracted to help implement the previous project.	SAR 25,499,998.60
3.	Framework agreement for implementation of NCDI Systems Migration 2020	stc and the Company	12/01/1442H (corresponding to 31/08/2020G)	Until 30/07/1443H (corresponding to 31/02/2022G)	stc is contracted to implement a new LTE security protocol in new data centers. The Company was subcontracted to help implement the previous project.	SAR 3,434,325.16
4.	DFIR Technology license renewal agreement	stc and the Company	13/01/1442H (corresponding to 01/09/2020G)	Until 24/01/1443H (corresponding to 01/09/2021G)	stc is contracted to renew licenses for various digital forensic analysis tools. The Company was subcontracted to help implement the previous project.	SAR 2,931,929.84
5.	Framework agreement for implementation of EPC LTE SEG 2020	stc and the Company	12/01/1442H (corresponding to 31/08/2020G)	Until 30/07/1443H (corresponding to 31/02/2022G)	stc is contracted to implement the EPC LTE project, which includes expansion of LTE security gates. The Company was subcontracted to help implement the previous project.	SAR 10,918,063.29

Source: The Company

3- Other Agreements

Table (12-16): Other Agreements Between the Company and stc as at the Date of this Prospectus

#	Address	Parties	Effective Date	Term	Subject	Value (if any)
1.	Transfer agreement	Substantial shareholder and the Company	24/02/1442H (corresponding to 11/10/2020G)	One year, automatically renewable annually	Agreeing to a framework mechanism for employee transfer between the two companies, including end of service indemnities, employee loans, and others	N/A

Source: The Company

12-6-2 Transactions with stc Specialized

The Company has entered into a number of transactions with stc Specialized. These transactions are considered Related Party transactions according to the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations, given that stc Specialized is wholly owned by stc and a number of Directors have an interest in these transactions as employees of stc, namely Riyadh Saeed Muawad, Haithem Mohammed AlFaraj, Emad Oudah AlOudah, Omar Abdulaziz AlShabibi, Mathad Faisal AlAjmi, and Mohammed Abdullah AlAbbadi. However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given pursuant to Paragraph (5) of Article 58 of Rules of Listed Companies, an interest shall not be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to a company affiliate that is or whose relative is a member of its board of directors or a senior executive. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly. These transactions were approved by the Independent Directors at the recommendation of the Audit Committee on 17/09/1442H (corresponding to 29/04/2021G). This section provides a summary of the transactions between the Company and stc Specialized as at the date of this Prospectus.

A. Subcontract Framework Agreement

The Company entered into a subcontract framework agreement with stc Specialized, effective as of 06/04/1444H (corresponding to 03/12/2019G), whereby the Company subcontracts stc Specialized to perform its obligations to stc.

The agreement is effective until 09/05/1444H (corresponding to 03/12/2022G), unless terminated earlier in accordance with the terms and conditions thereof. This agreement may be extended under a written agreement between the two parties. The value of the agreement is not specified, but rather dependent on work orders, and fees payable pursuant to the agreement are based on work orders issued between the two parties. This agreement does not contain any exclusive arrangements between the parties and stc is not subject to minimum obligations under this agreement.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in Riyadh.

B. Agreement for Provision of Technical Support and Assistance for Implementation of Services and Tasks

On 29/07/1439H (corresponding to 15/04/2018G), the Company entered into an agreement for provision of technical support and assistance for implementation of services and tasks with stc Specialized, whereby the Company provides support and assistance for the implementation of the services and tasks of stc Specialized as well as the works assigned thereto as per the descriptions set out in the agreement, for which work orders are issued, including the nature of the work to be performed, as detailed by stc Specialized.

The term of the agreement is five (5) years, effective as of date of the contract is signed. The value of the agreement is not specified, but rather dependent on work orders, and stc Specialized shall pay the value of work orders issued according to a schedule agreed upon between the parties, under a claim submitted by the Company monthly. The timetable shall be determined in a separate work order. stc is not subject to minimum obligations under this agreement.

Either party may, at any time without reason or justification, terminate this agreement or any part thereof by a written notice that includes the agreement termination date, in which case the Company is entitled to the value of the works it has performed until the termination date specified by stc Specialized.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder shall be settled by the competent courts in the Kingdom.

12-6-3 Transactions with Telecommunication Tower Co. Ltd

The Company has entered into a number of transactions with Telecommunication Tower Co. Ltd. These transactions are considered Related Party transactions in accordance with the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations, given that Telecommunication Tower Co. Ltd is wholly owned by stc, and a number of Directors have an interest in these transactions as employees of stc, namely Riyadh Saeed Muawad, Haithem Mohammed AlFaraj, Emad Oudah AlOudah, Omar Abdulaziz AlShabibi, Mathad Faisal AlAjmi, and Mohammed Abdullah AlAbbadi. However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given pursuant to Paragraph (5) of Article 58 of Rules of Listed Companies, an interest shall be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to an entity or a company where a board member or any of his/her relatives is a member of its Board of Directors or a senior executive, except for the company's affiliates. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other

person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly. These transactions were approved by the independent Directors at the recommendation of the Audit Committee on 17/09/1442H (corresponding to 29/04/2021G). This section provides a summary of the transactions between the Company and Telecommunication Tower Co. Ltd as at the date of this Prospectus.

A. Framework Agreement for Supply of IT Products and Services

The Company entered into framework agreement for supply of IT products and services (as amended by Amendment No. 1 dated 28/11/1440H (corresponding to 31/07/2019G), Amendment No. 2 dated 04/01/1441H (corresponding to 03/09/2019G), and Amendment No. 3 dated 18/01/1441H (corresponding to 17/09/2019G)) with Telecommunication Tower Co. Ltd, whereby the Company provides technology services and products to Telecommunication Tower Co. Ltd. These products and services include but are not limited to:

- implementation of programs and systems to develop and operate Telecommunication Tower Co. Ltd technology areas; and
- provision of hosting and infrastructure support.

The initial term of the agreement is twenty-four (24) months, effective as of 23/09/1440H (corresponding to 28/05/2019G) until 16/10/1442H (corresponding to 28/05/2021G). The agreement was amended to be effective until terminated in accordance with the terms thereof.

The total value of the agreement is twenty-nine million, four hundred thirty-five thousand, eight hundred sixteen Saudi riyals (SAR 29,435,816). The two parties have agreed that the value of the agreement is a non-binding estimate. Telecommunication Tower Co. Ltd shall pay a 13% fee, plus the actual cost borne by the Company in accordance with the terms of the scope of work of any purchase order requested under the agreement. This contract does not contain any exclusive arrangements between the parties and Telecommunication Tower Co. Ltd is not subject to minimum obligations under this contract.

Telecommunication Tower Co. Ltd may:

- at any time during the term of the agreement and without any reason terminate the agreement and/or any or all of the purchase orders, whether in whole or in part, issued thereunder, by sending a written notice to the Company at least thirty days prior to termination; and
- terminate the agreement and/or any or all of the purchase orders issued thereunder and have recourse against the Company if it finds that the Company has not fulfilled its contractual obligations as required, there is a slowdown or default in respect of the completion of services and tasks, or work is suspended without a legitimate excuse, provided that the foregoing is preceded by a written notice to the Company and fifteen days have lapsed without remedy.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising under the contract shall be settled by the competent courts of the Kingdom.

B. System and Services Supply Agreement

On 01/08/1441H (corresponding to 25/03/2020G), the Company entered into a system and services supply agreement with Telecommunication Tower Co. Ltd, whereby the Company provides hardware, software, managed services, and training, maintenance and support services to Telecommunication Tower Co. Ltd.

The agreement is effective until the expiry of the last warranty period for hardware (i.e., three (3) years from the date of issuance of the certificate of temporary acceptance or commercial operation and activation of the integrated system (whichever is later)), unless it is terminated earlier.

The total value of the agreement amounts to thirteen million, five hundred fifty thousand Saudi riyals (SAR 13,550,000), and Telecommunication Tower Co. Ltd shall pay specific fees to the Company as agreed upon between the two parties.

Telecommunication Tower Co. Ltd may, at any time during the term of the agreement, terminate the agreement, by sending a written notice to the Company at least thirty (30) days before termination. In the event of termination, the Company may claim the costs incurred in respect of the hardware, software, or resources on the site, or the ongoing services that have been already delivered by the Company and accepted by Telecommunication Tower Co. Ltd in writing.

C. Service Support Agreement

The Company entered into a service support agreement with Telecommunication Tower Co. Ltd, effective as of 24/07/1440H (corresponding to 31/03/2019G), as amended on 24/11/1441H (corresponding to 15/07/2020G) and on 07/06/1442H (corresponding to 20/01/2021G), whereby the Company provides support and assistance for implementation of the services and tasks of Telecommunication Tower Co. Ltd, based on detailed work orders that include the nature of

the activities, as detailed by Telecommunication Tower Co. Ltd. Fees are determined based on the work orders issued.

The agreement is effective until 07/07/1443H (corresponding to 08/02/2022G) and may be renewed for a period(s) by agreement between the two parties.

The value of the agreement is estimated at thirty-one million, eight hundred fifty-seven thousand, four hundred fourteen Saudi riyals (SAR 31,857,414). The estimated value of this agreement is non-binding, with the actual value thereof determined according to the work orders issued. Telecommunication Tower Co. Ltd shall pay to the Company the monthly amounts determined under the purchase orders issued, and the specific fees agreed upon between the two parties are 16%, in addition to the actual cost of the elements set out in the scope of work of any purchase order requested under this agreement. Telecommunication Tower Co. Ltd is not subject to minimum obligations under this agreement.

Telecommunication Tower Co. Ltd may, at any time without reason or justification, terminate this agreement or any part thereof by a written notice that includes the agreement termination date, in which case the Company is entitled to the value of the works it has performed up to the termination date specified by Telecommunication Tower Co. Ltd.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising under the contract shall be settled by the competent courts of the Kingdom.

12-6-4 Agreements with stc Channels

The Company has entered into a number of transactions with stc Channels. These transactions are considered Related Party transactions in accordance with the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations, given that stc Channels is wholly owned by stc, and a number of Directors have an interest in these transactions as employees of stc, namely Riyadh Saeed Muawad, Haithem Mohammed AlFaraj, Emad Oudah AlOudah, Omar Abdulaziz AlShabibi, Mathad Faisal AlAjmi, and Mohammed Abdullah AlAbbadi. However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given pursuant to Paragraph (5) of Article 58 of Rules of Listed Companies, an interest shall be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to an entity or a company where a board member or any of his/her relatives is a member of its Board of Directors or a senior executive, except for the company's affiliates. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly. These transactions were approved by the independent Directors at the recommendation of the Audit Committee on 17/09/1442H (corresponding to 29/04/2021G). This section provides a summary of the transactions between the Company and stc Channels as at the date of this Prospectus.

A. Project Management Service and Operational Business Solution Agreement

On 07/11/1440H (corresponding to 10/07/2019G), the Company entered into an agreement for provision of project management services and operational business solutions (and an appendix thereto on 02/06/1441H (corresponding to 27/01/2020G)) with stc Channels, whereby the Company provides development and design services for stc Channels' websites, platforms, mobile applications, and its resource planning units. This contract does not contain any exclusive arrangements between the parties and stc Channels is not subject to minimum obligations under this contract.

The agreement is effective until 17/07/1442H (corresponding to 01/03/2021G), automatically renewable for additional three (3) years unless either party notifies the other in writing of its intention not to renew ninety (90) days prior to the expiry of the original or renewed term. The amounts payable under this agreement are based on the relevant work orders. The contract is no longer valid as of the date of this Prospectus.

stc Channels may, at its discretion and option at any time during the term of the agreement, terminate the agreement by a thirty (30) day prior written notice to the Company.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising under the contract shall be settled by the competent courts in Riyadh.

B. Cybersecurity Services Agreement

On 23/04/1441H (corresponding to 20/12/2019G), the Company entered into a service agreement with stc Channels, whereby the Company provides to stc Channels the necessary cybersecurity services for public security management activities related to governance, risks and compliance to fulfill cybersecurity services requirements as well as consulting.

The term of the agreement is one Gregorian year, effective as of the date the agreement is signed, after which the term is automatically renewed for a similar period unless either party notifies the other in writing of its intention not

to renew at least thirty (30) days before the expiry of the original or renewed term.

The estimated value of this agreement is five hundred thousand Saudi riyals (SAR 500,000), excluding any tax due under the law, and this estimated value is not binding on stc Channels; instead, work is performed based on work/purchase orders issued by stc Channels to the Company. This contract does not contain any exclusive arrangements between the parties.

If stc Channels' use of services is below 40% of the agreed value of the agreement, it shall in any case pay 40% of the agreed value of the agreement.

The contract is governed by the applicable laws of the Kingdom. Any dispute arising under the contract that cannot be settled amicably shall be resolved by the competent courts in the Kingdom through the Saudi Center for Commercial Arbitration in Riyadh.

C. IT Operations Managed Services Agreement Services

On 23/03/1441H (corresponding to 20/11/2019G), the Company entered into a service agreement with stc Channels, whereby the Company provides services to secure efficient resources necessary for the optimal operation of stc Channels.

The term of the agreement is three (3) years, effective as of the date the agreement is signed by the two parties until 22/06/1444H (corresponding to 15/1/2023G), after which the term is automatically renewed for a similar period unless either party notifies the other in writing of its intention not to renew at least ninety (90) days before the expiry of the original or renewed term.

The estimated value of this agreement is fifteen million Saudi riyals (SAR 15,000,000), excluding any tax due under the law, and this estimated value is not binding on stc Channels; instead, work is performed based on work/purchase orders issued by stc Channels to the Company, according to the prices agreed upon between the two parties.

This contract does not contain any exclusive arrangements between the parties and stc Channels is not subject to minimum obligations under this contract. stc Channels shall pay the value of the accepted work invoices within forty-five (45) days from the date an invoice is received.

The contract is governed by the applicable laws of the Kingdom. Any dispute arising under the contract that cannot be settled amicably shall be resolved by the competent courts in the Kingdom through the Saudi Center for Commercial Arbitration in Riyadh.

12-6-5 Transactions with Advanced Technology and Cybersecurity Company

The Company has entered into a number of transactions with Advanced Technology and Cybersecurity Company. These transactions fall under Related Party transactions according to the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations, given that Advanced Technology and Cybersecurity Company is wholly owned by stc, and a number of Directors have an interest in the contract as employees of stc, namely Riyadh Saeed Muawad, Haithem Mohammed AlFaraj, Emad Oudah AlOudah, Omar Abdulaziz AlShabibi, Mathad Faisal AlAjmi, and Mohammed Abdullah AlAbadi. However, these transactions do not require the approval of the General Assembly in accordance with Article 71 of the Companies Law, given that pursuant to Paragraph (5) of Article 58 of the Rules of Listed Companies, an interest shall not be considered indirect if the business and contract executed for the company's account may result in financial or non-financial benefits to company affiliate who is or whose relative is a board member or senior executive. Under the rules of Rules of Listed Companies, an affiliate is defined as a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. Therefore, these transactions do not involve an indirect interest that requires the approval of the General Assembly. These transactions were approved by the Independent Directors at the recommendation of the Audit Committee on 17/09/1442H (corresponding to 29/04/2021G). This section provides a summary of the transactions between the Company and Advanced Technology and Cybersecurity Company as at the date of this Prospectus.

A. Operation and Services Agreement with Advanced Technology and Cybersecurity Company

The Company entered into an operation and service agreement with Advanced Technology and Cybersecurity Company, effective as of 07/05/1442H (corresponding to 01/01/2021G), whereby the Company appoints Advanced Technology and Cybersecurity Company as a sub-contractor to carry out operation, maintenance, management, and other services specified under the contract between the Company and its customers.

The term of the agreement is one year as of the effective date. The Company shall pay the fees due to Advanced Technology and Cybersecurity Company through the payments it receives from its customers or stc within thirty (30) days from receipt of payments. This contract does not contain any exclusive arrangements between the parties and

Advanced Technology and Cybersecurity Company is not subject to minimum obligations under this contract.

Advanced Technology and Cybersecurity Company may, at any time during the term of the agreement, terminate the agreement by sending a written notice to the Company at least six (6) months before termination, and the Company may extend the notice period, if needed. Such termination shall not prejudice any rights or dues of either party.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in the Kingdom.

B. Subcontract Framework Agreement

The Company entered into a subcontract framework agreement with Advanced Technology and Cybersecurity Company, effective as of 07/05/1442H (corresponding to 01/01/2021G), pursuant to which the Company appoints Advanced Technology and Cybersecurity Company as an on-demand subcontractor to operate, maintain, manage and implement other services specified in the agreements between the Company and stc, in accordance with the terms and conditions under this agreement and the agreements between the Company and stc and any work orders issued thereunder.

The term of the agreement is three (3) years as of the effective date of the agreement. This agreement may be extended for a similar period or periods by a written agreement between the two parties sixty (60) days prior to the expiry of the original or renewed term. The Company shall pay Advanced Technology and Cybersecurity Company for the payments it receives from stc within thirty (30) days from the date of receipt.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within (60) days shall be settled by the competent courts in Riyadh.

C. Subcontract Framework Agreement

The Company entered into a subcontract framework agreement with Advanced Technology and Cybersecurity Company, effective as of 07/05/1442H (corresponding to 01/01/2021G), pursuant to which the Company appoints Advanced Technology and Cybersecurity Company as a subcontractor to operate, maintain, manage and implement other services specified in the agreements between the Company and its end customer for delivery of a variety of related electronic services. The Company's end customers shall include legal persons, public or private, including any recipients designated by such person, located in any territory that has contractual relations with the Company.

The term of the agreement is three (3) years as of the effective date of the agreement. This agreement may be extended for a similar period or periods by a written agreement between the two parties sixty (60) days prior to the expiry of the original or renewed term. The Company shall pay Advanced Technology and Cybersecurity Company for the payments it receives from stc within thirty (30) days from the date of receipt.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within (60) days shall be settled by the competent courts in Riyadh.

D. Subcontract Framework Agreement

The Company entered into a subcontract framework agreement with Advanced Technology and Cybersecurity Company, effective as of 07/05/1442H (corresponding to 01/01/2021G), pursuant to which the Company appoints Advanced Technology and Cybersecurity Company as a subcontractor to operate, maintain, manage and implement other services specified in the agreements between the Company and its end customer for delivery of a variety of related electronic services. The Company's end customers shall include legal persons, public or private, including any recipients designated by such person, located in any territory that has contractual relations with the Company.

The term of the agreement is three (3) years as of the effective date of the agreement. This agreement may be extended for a similar period or periods by a written agreement between the two parties sixty (60) days prior to the expiry of the original or renewed term. The Company shall pay Advanced Technology and Cybersecurity Company for the payments it receives from stc within thirty (30) days from the date of receipt.

The agreement is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably within (60) days shall be settled by the competent courts in Riyadh.

12-6-6 Framework Agreement for Consulting Services with the Subsidiary

On 06/05/1441H (corresponding to 01/01/2020G), the Company entered into a framework agreement for consulting services with the Subsidiary, whereby the Subsidiary provides the Company with IT consultants.

The term of the agreement is five (5) years, effective on the last date the agreement is signed, and expires on 22/12/1446H (corresponding to 18/06/2025G).

The Company shall pay to the Subsidiary an estimated fee based on the value of work orders issued. The fees for the work performed by each IT consultant will be determined throughout the term of the agreement, as agreed upon between the two parties. This contract does not contain any exclusive arrangements between the parties and the Subsidiary is not subject to minimum obligations under this contract.

The Company may, at its discretion and option at any time during the term of the agreement, terminate the agreement by a thirty (30) day prior written notice to the Subsidiary, and if this notice is given, the Company will pay for the services provided by the Subsidiary until the date service is terminated.

The contract is governed by the applicable laws of the Kingdom. Any disputes arising thereunder that cannot be resolved amicably shall be settled by the competent courts in the Kingdom.

12-7 Real Estate

12-7-1 Real Estate Owned by the Company

The Directors confirm that the Company does not own any real estate as at the date of this Prospectus.

12-7-2 Real Estate Leased by the Company

The Company has entered into forty-eight (48) lease agreements with several lessors which it uses as Company offices. The Directors declare that all lease agreements are valid. The following table sets out the details of the real estate leased by the Company.

Table (12-17): Real Estate Leased by the Company

#	Lessee	Lessor	Location	Effective Date of the Lease	Annual Rent (SAR)*	Lease Term
1.	The Company	Saudi Real Estate Company	Property No. 0/2520715, with an area of 434 m2, located in Al-Akaria Plaza, Riyadh	27/07/1440H (corresponding to 03/04/2019G)	420,112 annually plus VAT	One year, automatically renewable
2.	The Company	Saudi Real Estate Company	Property No. 0/2520716, with an area of 216 m2, located in Al-Akaria Plaza, Riyadh	27/07/1440H (corresponding to 03/04/2019G)	209,080 annually plus VAT	One year, automatically renewable
3.	The Company	Saudi Real Estate Company	Property No. 0/2520717, with an area of 104 m2, located in Al-Akaria Plaza, Riyadh	16/09/1440H (corresponding to 21/05/2019G)	100,672 annually plus VAT	One year, automatically renewable
4.	The Company	Saudi Real Estate Company	Property No. 0/2520718, with an area of 104 m2, located in Al-Akaria Plaza, Riyadh	21/09/1440H (corresponding to 26/05/2019G)	100,672 annually plus VAT	One year, automatically renewable
5.	The Company	Saudi Real Estate Company	Property No. 0/2520720, with an area of 108 m2, located in Al-Akaria Plaza, Riyadh	27/09/1440H (corresponding to 01/06/2019G)	104,544 annually plus VAT	One year, automatically renewable
6.	The Company	Saudi Real Estate Company	Property No. 0/2520719, with an area of 104 m2, located in Al-Akaria Plaza, Riyadh	03/11/1440H (corresponding to 06/07/2019G)	100,672 annually plus VAT	One year, automatically renewable
7.	The Company	Saudi Real Estate Company	Property No. 0/2520730, with an area of 256 m2, located in Al-Akaria Plaza, Riyadh	03/11/1440H (corresponding to 06/07/2019G)	247,808 annually plus VAT	One year, automatically renewable
8.	The Company	Saudi Real Estate Company	Property No. 1/2020301, with an area of 4,398 m2, located in Al-Akaria Plaza 3, Riyadh	14/11/1440H (corresponding to 06/07/2019G)	2,638,800 annually plus VAT	One year, automatically renewable
9.	The Company	Saudi Real Estate Company	Property No. 0/2520105, with an area of 361 m2, located in Al-Akaria Plaza, Riyadh	19/08/1440H (corresponding to 24/04/2019G)	307,514 annually plus VAT	One year, automatically renewable
10.	The Company	Abdul Rahman Mohd. Al Hatlani Real Estate Office	Office property No. 3/4, with an area of 115 m2, located in Al Nakheel Mall - Jubail Industrial City - Waterfront	01/01/1441H (corresponding to 31/08/2020G)	100,000 annually plus VAT	One year ending on 29/12/1441H (corresponding to 19/08/2020G), automatically renewable.
11.	The Company	Al-Hugayet Group	Office property for use as a second storage room, with an area of 14 m2, located on the upper ground floor, Al Hugayet Skyline Tower, Khobar	23/02/1440H (corresponding to 01/11/2018G)	13,320 annually plus VAT	Five (5) years, automatically renewable

#	Lessee	Lessor	Location	Effective Date of the Lease	Annual Rent (SAR)*	Lease Term
12.	The Company	Al-Hugayet Group	Office property with an area of 460 m2, located on the 26th floor, Al Hugayet Skyline Tower, Khobar	01/07/1439H (corresponding to 01/04/2018G)	414,000 annually plus VAT	Five (5) years, automatically renewable
13.	The Company	Saudi Real Estate Company	Store No. 2520704/0/1, with an area of 248 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	220,720 annually plus VAT	One year, automatically renewable
14.	The Company	Saudi Real Estate Company	Store No. 0/2520619 - 0/2520632, with an area of 2,691 m2, located in Al-Akaria Plaza, Riyadh	07/08/1441H (corresponding to 31/03/2020G)	2,394,990 annually plus VAT	One year, automatically renewable
15.	The Company	Saudi Real Estate Company	Property No. 129 used as an office, with an area of 266 m2, located in Al-Akaria Plaza, Riyadh	21/02/1438H (corresponding to 21/11/2016G)	243,273 annually plus VAT	One year, automatically renewable
16.	The Company	Saudi Real Estate Company	Property No. 0/1720305, with an area of 327 m2, located in Al-Akaria Plaza, Riyadh	25/03/1440H (corresponding to 03/12/2018G)	170,040 annually plus VAT	One year, automatically renewable
17.	The Company	Saudi Real Estate Company	Property No. 17-02-0405-01, with an area of 327 m2, located in Al-Akaria Plaza, Riyadh	07/08/1439H (corresponding to 23/04/2018G)	168,040 annually plus VAT	One year, automatically renewable
18.	The Company	Saudi Real Estate Company	Property No. 17-02-0406-01, with an area of 282 m2, located in Al-Akaria Plaza, Riyadh	09/09/1439H (corresponding to 24/05/2018G)	146,640 annually plus VAT	One year, automatically renewable
19.	The Company	Saudi Real Estate Company	Property No. 17-02-0410-01, with an area of 259 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	134,640 annually plus VAT	One year, automatically renewable
20.	The Company	Saudi Real Estate Company	Property No. 17-02-0512-01, with an area of 388 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	201,760 annually plus VAT	One year, automatically renewable
21.	The Company	Saudi Real Estate Company	Property No. 17-02-0513-01, with an area of 231 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	120,120 annually plus VAT	One year, automatically renewable
22.	The Company	Saudi Real Estate Company	Property No. 17-02-0514-01, with an area of 434 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	225,680 annually plus VAT	One year, automatically renewable
23.	The Company	Saudi Real Estate Company	Property No. 1/0408, with an area of 170 m2, located in Al-Akaria Plaza, Riyadh	17/11/1439H (corresponding to 30/07/2018G)	88,400 annually plus VAT	One year, automatically renewable
24.	The Company	Saudi Real Estate Company	Property No. 425, 424, and 423, with an area of 426 m2, located in Al-Akaria Plaza, Riyadh	27/12/1432H (corresponding to 30/07/2011G)	503,403	Sixty (60) months, automatically renewable
25.	The Company	Saudi Real Estate Company	Property No. 426 and 427, with an area of 276 m2, located in Al-Akaria Plaza, Riyadh	21/02/1432H (corresponding to 25/01/2011G)	357,034	One year, automatically renewable
26.	The Company	Saudi Real Estate Company	Real estate, with an area of 405 m2, located in Al-Akaria Plaza, Riyadh	11/10/1432H (corresponding to 09/09/2011G)	476,280	One year, automatically renewable
27.	The Company	Saudi Real Estate Company	Property No. 431, 432, 420, and 419, with an area of 889 m2, located in Al-Akaria Plaza, Riyadh	01/09/1432H (corresponding to 01/09/2011G)	1,048,104	Sixty (60) months, automatically renewable
28.	The Company	Saudi Real Estate Company	Property, with an area of 2,604 m2, located in Al-Akaria Plaza, Riyadh	12/06/1432H (corresponding to 15/05/2011G)	2,932,144 plus an annual increase	Sixty (60) months, automatically renewable
29.	The Company	Saudi Real Estate Company	Property No. 17-02-0407-01, with an area of 259 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	134,640 annually plus VAT	One year, automatically renewable
30.	The Company	Saudi Real Estate Company	Property No. 411, with an area of 239 m2, located in Al-Akaria Plaza, Riyadh	08/08/1439H (corresponding to 24/04/2018G)	124,280 annually plus VAT	One year, automatically renewable
31.	The Company	Saudi Real Estate Company	Property No. 209, with an area of 110 m2, located in Al-Akaria Plaza, Riyadh	01/03/1440H (corresponding to 09/11/2018G)	70,400 annually plus VAT	One year, automatically renewable
32.	The Company	Saudi Real Estate Company	Property No. 210, with an area of 496 m2, located in Al-Akaria Plaza, Riyadh	01/03/1440H (corresponding to 02/12/2018G)	381,440 annually plus VAT	One year, automatically renewable

#	Lessee	Lessor	Location	Effective Date of the Lease	Annual Rent (SAR)*	Lease Term
33.	The Company	Saudi Real Estate Company	Property No. 2520706, with an area of 246 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	218,940 annually plus VAT	One year, automatically renewable
34.	The Company	Saudi Real Estate Company	Property No. 2520707, with an area of 246 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	218,940 annually plus VAT	One year, automatically renewable
35.	The Company	Saudi Real Estate Company	Property No. 2520724, with an area of 214 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	190,460 annually plus VAT	One year, automatically renewable
36.	The Company	Saudi Real Estate Company	Property No. 2520725, with an area of 206 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	183,340 annually plus VAT	One year, automatically renewable
37.	The Company	Saudi Real Estate Company	Property No. 2520726, with an area of 205 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	182,450 annually plus VAT	One year, automatically renewable
38.	The Company	Saudi Real Estate Company	Property No. 2520727, with an area of 195 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	173,550 annually plus VAT	One year, automatically renewable
39.	The Company	Saudi Real Estate Company	Property No. 2520728, with an area of 172 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	153,080 annually plus VAT	One year, automatically renewable
40.	The Company	Saudi Real Estate Company	Property No. 2520729, with an area of 217 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	193,130 annually plus VAT	One year, automatically renewable
41.	The Company	Saudi Real Estate Company	Property No. 2520731, with an area of 205 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	182,450 annually plus VAT	One year, automatically renewable
42.	The Company	Saudi Real Estate Company	Property No. 2520732, with an area of 155 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	137,950 annually plus VAT	One year, automatically renewable
43.	The Company	Saudi Real Estate Company	Property No. 2520733, with an area of 155 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	137,950 annually plus VAT	One year, automatically renewable
44.	The Company	Saudi Real Estate Company	Property No. 2520734, with an area of 155 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	137,950 annually plus VAT	One year, automatically renewable
45.	The Company	Saudi Real Estate Company	Property No. 2520735, with an area of 233 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	207,370 annually plus VAT	One year, automatically renewable
46.	The Company	Saudi Real Estate Company	Property No. 2520736, with an area of 185 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	164,560 annually plus VAT	One year, automatically renewable
47.	The Company	Saudi Real Estate Company	Property No. 2520737, with an area of 155 m2, located in Al-Akaria Plaza, Riyadh	24/03/1440H (corresponding to 02/12/2018G)	137,950 annually plus VAT	One year, automatically renewable
48.	The Company	Ali Hassan bin Homran	Property No. 901, 902, 903, and 904 and a corridor, with an area of 961 m2, located on the 9th Floor, Bin Homran Commercial Center, Jeddah	04/04/1441H (corresponding to 01/12/2019G)	864,900 annually plus VAT	Three (3) years, automatically renewable

* VAT has been stated as set out in the related lease agreements and the VAT percentage and application determined in accordance with the regulations of the Zakat, Tax and Customs Authority.

Source: The Company

Following is a summary of the key contractual terms of the above lease contracts:

A. Lease Contracts with Saudi Real Estate Company:

- If the lessee wishes, for any reason, to vacate the leased property before the expiry of the contract term, it is not entitled to claim a refund of the rent for the remaining period, except with the consent of the owner.
- This contract may not be transferred to a third party and the lessee may not lease all or part of the property or make any waiver to a third party without written consent from the lessor.
- The contract may be terminated in accordance with the grounds for termination of the contract or upon

vacation of the leased property.

B. Lease Contract with Abdul Rahman Mohd. Al Hatlani Real Estate Office:

- The lessee may not rent, assign or sell the property to another lessee.
- The lessor may, one month before the end of the contract, notify the lessee of any change to the terms of the contract and the value of future contracts. The lessee must respond to the notice within a week from the date of receipt, expressing its desire to renew or terminate the contract. If the lessee does not respond to the lessor within a week from the date it receives the notice, the lessee shall be bound by the terms and the value of the new contract, and the lessor may, at will, not renew the contract.
- If the lessee requests termination of the contract, it shall incur a penalty of a full unutilized rental year as compensation for the term of the contract.

C. Lease Contracts with Al-Hugayet Group

- The lessee may not lease the leased space or any part thereof to a third party without the prior consent of the lessor.
- If the lessee delays payment of the full rent or any part thereof within 30 days from the due date or violates its obligations under the contract, the first party has the right to terminate this contract.

D. Lease Contract with Ali Hassan bin Homran:


- The lessee may only assign or sublet the leased property or part thereof to a third party with a written consent signed by the lessor.
- If the lessee delays payment of the lessor's financial dues under this contract, and in the event that the lessee does not comply with any of the terms and conditions of this contract, the lessor may, in both cases, terminate this contract by a written notice of not less than thirty (30) days.







12-8 Intangible assets

12-8-1 Trademarks

All trademarks used by the Company are owned by stc, represented in the Company's trademark ("solutions by stc"), pursuant to a trademark license agreement with stc (for further details about this agreement, please refer to Section 12.5 "Material Agreements" of this Prospectus). To operate and market its services, the Company relies substantially on these trademarks. Therefore, if the Company fails to protect their trademarks or has to take legal action to protect them, this could have an adverse effect on the Company's ability to use them, which would affect its businesses and results of operations (for further details about the relevant risks, please refer to Section 2.1 "Risks Related to the Company's Business and Activities" of this Prospectus.) The following table sets out key particulars of the trademarks used by the Company:

Table (12-18): Key Particulars of the Trademarks Used by the Company

#	Trademark	Country of Registration	Owner	Registration No.	Protection Commencement Date	Protection Expiry Date	Class*
1.		KSA	stc	1441008555	19/03/1441H (corresponding to 16/11/2019G)	18/03/1451H (corresponding to 30/07/2029G)	42
2.		KSA	stc	1441008554	19/03/1441H (corresponding to 16/11/2019G)	18/03/1451H (corresponding to 30/07/2029G)	38
3.		KSA	stc	1441008533	19/03/1441H (corresponding to 16/11/2019G)	18/03/1451H (corresponding to 30/07/2029G)	9

#	Trademark	Country of Registration	Owner	Registration No.	Protection Commencement Date	Protection Expiry Date	Class*
4.		UAE	stc	323562	11/05/1441H (corresponding to 06/01/2020G)	02/09/1451H (corresponding to 06/01/2030G)	9
5.		UAE	stc	323563	11/05/1441H (corresponding to 06/01/2020G)	02/09/1451H (corresponding to 06/01/2030G)	38
6.		UAE	stc	323564	11/05/1441H (corresponding to 06/01/2020G)	02/09/1451H (corresponding to 06/01/2030G)	42
7.		Bahrain	stc	128303	05/01/1442H (corresponding to 24/08/2020G)	25/09/1451H (corresponding to 29/01/2030G)	9
8.		Bahrain	stc	128304	05/01/1442H (corresponding to 24/08/2020G)	25/09/1451H (corresponding to 29/01/2030G)	38
9.		Bahrain	stc	128305	05/01/1442H (corresponding to 24/08/2020G)	25/09/1451H (corresponding to 29/01/2030G)	42

* Classes are determined based on the Nice Agreement on the International Classification of Goods and Services for the purpose of registering trademarks.

Source: The Company

It should be noted that the Company, as at the date of this Prospectus, has the right to use the trademark “solutions by stc” in Egypt, which is still pending registration by stc within Class 9, Class 38 and Class 42.

12-8-2 Other Intangible Assets

As at the date of this Prospectus, the Company does not own any other registered intangible assets. The Company has developed two software platforms that it uses to provide services to its customers (developed 99% internally, and 1% by external contractors). These platforms include (1) the fleet control service, a solution that the Company has developed and is licensing to customers to use to manage their transport fleet, which includes a number of features such as maintaining and tracking vehicle information, information and reports on driver behavior, vehicle performance and fuel consumption, in addition to providing alerts when a license or insurance is about to expire; and (2) Bluvalt Marketplace, a platform that the Company has developed to allow it to provide its services to customers by subscribing to a number of third-party cloud services worldwide; the Company does not provide all the services available on this platform to its customers. The Company has not registered any patents in connection with the foregoing.

Some of the Company-owned platforms that include software licensed by their owners or third parties are offered under “open source” licenses. The Company uses fifteen (15) open source software programs. Following is a summary of the open source software used by the Company:

Table (12-19): Open Source Software Used by the Company

Proprietary Platform	Open Source Software License	License Status (couplift)
Cloud Market	Django Framework licensed under 3-Clause BSD License	Available
	Angular Framework licensed under MIT License	Available
	Spring Framework licensed under Apache License	Available
	Killbill Billing Framework licensed under Apache License	Available
Fleet Control	Spring Boot Framework licensed under Apache License	Available
	Angular Framework licensed under MIT License	Available
	Cassandra Database licensed under Apache License	Available
	Postgress Database licensed under MIT License	Available
	Redis Database licensed under 3-Clause BSD License	Available
	Open Source Routing Machine (OSRM) licensed under 2-Clause BSD License	Available
	Kafka, a ranking system, licensed under Apache License	Available
	Nifi, a big data workflow engine, licensed under Apache License	Available
	NodeRed, a workflow engine, licensed under Apache License	Available
	Socket Cluster, a websocket, licensed under MIT License	Available
	Nginx, a web server, licensed under 2-Clause BSD License	Available

Some of these licenses, by nature, require the Company to provide the source code of any modification or programs derived from open source software, and to license such modifications or derivative works under the terms of the open source license or other licenses that grant third parties rights to use.

12-9 Zakat Status of the Company

The Company is governed by the regulations of Saudi Zakat, Tax and Customs Authority. The Company is a wholly owned subsidiary of Saudi Telecom Company ("the Parent Company"). The Company submitted its Zakat returns on an individual and independent basis until 2008, and all assessments from the Zakat, Tax and Customs Authority for these years have been closed. From 2009G onwards, pursuant to Ministerial Resolution No. 1005 dated 28/4/1428H (corresponding to 15 May 2007G), the Parent Company has submitted Zakat returns based on its consolidated financial statements and consolidated Zakat base and settles the Zakat liability accordingly. The Company's share of Zakat has been estimated based on the Company's Zakat base and is charged to the Company's consolidated statement of profit or loss. This estimation is adjusted proportionately by the consolidation impact, as applicable. It should be noted that examination and assessment work for 2009G onwards is carried out between the Zakat, Tax and Customs Authority and stc based on the consolidated return submitted by stc, and no transactions between the Company and the Authority are carried out directly except informational returns submitted to the Authority that do not entail any Zakat obligations. If there are assessments and re-measurements of Zakat differences for stc in the consolidated returns, historically no additional Zakat amounts have been charged to the Company by stc as a result of the reassessment by the Authority for the consolidated Zakat returns submitted by stc. The Company also obtained the final Zakat assessments for the years 2010G, 2011G, 2014G and 2018G. It should be noted that there are claims against stc, which are an open objection related to the assessment for 2008G and 2009, which is currently under review by the General Secretariat of Tax Committees (formerly the Appeal Committee). The Parent Company believes that this assessment will be settled without incurring any substantial obligations. Ultimately, the Parent Company received the 2015G-2017G assessments from the Zakat, Tax and Customs Authority for the amount of SAR 865 million. The Parent Company has objected to these assessments, and they believe that the result of this objection will be in their favor and no material additional provisions are required. stc declared and undertook to the Company that the Company would not bear any Zakat amounts imposed on stc by the Zakat, Tax and Customs Authority for Zakat liabilities resulting from the inspection and assessment of the consolidated Zakat returns submitted by stc. As of the date of this Prospectus, the Company has no allocations for Zakat liabilities related to the Parent Company.

Prior to the Offering, the Company submitted Zakat returns within the stc Group as a wholly-owned subsidiary of stc. Pursuant to the applicable regulations of Zakat, Tax and Customs Authority, following the Offering, the Company will separate its results from the results of stc Group and submit its Zakat returns separately for Zakat purposes, and will notify the Zakat, Tax and Customs Authority of the submission of separate returns. This transition may entail significant management time and attention.

The Company obtained Zakat certificates from the Zakat, Tax and Customs Authority for all years up to 2020G, and has received the final Zakat certificate.

12-10 Insurance

The Company maintains insurance policies covering different types of risks associated with its activities. The following table sets out the key details of the insurance policies held by the Company:

Table (12-20): The Company's Insurance Policies

#	Type of Coverage	Insurer	Insured	Policy No.	Coverage Expiry Date	Insured Value/ Coverage Limit
1.	Medical insurance for employees	Bupa Arabia for Cooperative Insurance	The Company	46534600	27/02/1443H (corresponding to 04/10/2021G)	SAR 500,000 per employee annually
2.	Medical insurance for employees' families	Bupa Arabia for Cooperative Insurance	The Company	46662300	27/02/1443H (corresponding to 04/10/2021G)	SAR 500,000 per employee annually
3.	Comprehensive general liability insurance	Walaa Cooperative Insurance Co	The Company	000104-500-20-0E	21/10/1442H (corresponding to 04/10/2021G)	SAR 10,000,000
4.	Fire insurance	Walaa Cooperative Insurance Co	The Company	000020-200-20-0E	21/10/1442H (corresponding to 02/06/2021G)	SAR 331,095,732.74
5.	Motor insurance	Walaa Cooperative Insurance Co	The Company	0/000355-300-20-1E	21/10/1442H (corresponding to 602/06/2021G)	SAR 10,000,000
6.	Data protection and privacy (cybersecurity) insurance	Walaa Cooperative Insurance Co	stc and its subsidiaries, including the Company	000111-500-20-0E	21/08/1442H (corresponding to 02/06/2021G)	SAR 375,091,300
7.	Liability insurance for the Directors, officials and the Company	Walaa Cooperative Insurance Co	stc and its subsidiaries, including the Company	E0-20-500-000115	21/08/1442H (corresponding to 02/06/2021G)	SAR 100,000,000
8.	Vehicle insurance	Walaa Cooperative Insurance Co	The Company	E1-21-300-000304/0	03/11/1443H (corresponding to 02/06/2022G)	SAR 1,985,682

Source: The Company

12-11 Litigation and Claims

With the following exceptions, the Directors confirm that the Company, up to the date of this Prospectus, is not a party to any judicial dispute, arbitration or administrative proceeding that may, individually or collectively, have an adverse impact on its financial position and results of operations. Moreover, they confirm that they are not aware of the threatened initiation of any lawsuits or claims.

12-11-1 Litigation and Commercial Claims

There are no commercial lawsuits or claims against the Company. The following table sets out a summary of the commercial lawsuits and claims filed by the Company as at the date of this Prospectus:

Table (12-21): Summary of Commercial Lawsuits and Claims Instituted by or Against the Company as of the Date of this Prospectus

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
Commercial claims filed by the Company					
1.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amounts due for telecommunications and internet services performed by the Company in accordance with the contract between the two parties.	The claim is still in its early stages, pending a date for the first court hearing.	497,021
2.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amounts due for telecommunications and Internet services performed by the Company in accordance with the contract between the two parties.	On 03/04/1442H (corresponding to 18/11/2020G), the court ruled to dismiss the case, and the Company is working on submitting a request for retrial	75,986

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
3.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amounts due for telecommunications and internet services performed by the Company in accordance with the contract between the two parties.	The parties are negotiating a settlement. On 10/08/1442H (corresponding to 23/03/2021G) a session was attended and a time requested for conciliation between the parties	450,800
4.	The Company	Private company	The Company has filed a claim against a private company to enforce a promissory note.	A judgment has been issued in favor of the Company, and on 12/06/1440H (corresponding to 17/02/2019G) it was filed before the Execution Court, pending collection of the amount due.	27,864
5.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment has been issued in favor of the Company, and on 22/10/1440H (corresponding to 25/06/2019G) it was filed before the Execution Court, pending collection of the amount due.	110,637
6.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment in absence of the defendant has been issued in favor of the Company. The judgment cannot be executed until the defendant is notified, and it will be notified through the Jeddah Police Station. On 04/06/1442H (corresponding to 17/01/2021G) the Execution Court was approached to issue Decision No. 46. On 19/10/1442H (corresponding to 22/05/2021G) Decision No. 46 was issued by the Execution Court against the defendant.	327,418
7.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment has been issued in favor of the Company, and on 07/05/1439H (corresponding to 24/01/2018G) it was filed before the Execution Court, pending collection of the amount due.	70,342
8.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company.	A ruling was issued in favor of the Company for a portion of the claim amount (14,000). An appeal was submitted on 24/08/1442H (corresponding to 06/04/2021G), and a ruling was issued affirming the first instance ruling. The Company is submitting a request to the Execution Court.	218,955
9.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment has been issued in favor of the Company. On 14/02/1441H (corresponding to 13/10/2019G) it was filed before the Execution Court, pending collection of the amount due.	176,750
10.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment has been issued in favor of the Company, and on 25/10/1439H (corresponding to 09/07/2020G) it was filed before the Execution Court, pending collection of the amount due.	314,253
11.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company.	On 29/04/1442H (corresponding to 07/12/2020G) a ruling was issued to suspend the case as the defendant has commenced bankruptcy procedures. The Company is submitting a request to the bankruptcy trustees to add a creditor	183,402
12.	The Company	Private company	The Company filed a claim against a private company for failure to pay the amount due for the services provided.	A judgment has been issued in favor of the Company, and on 07/10/1440H (corresponding to 10/06/2019G) it was filed before the Execution Court, pending collection of the amount due.	115,908

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
13.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amounts due for telecommunications and internet services performed by the Company in accordance with the contract between the two parties.	The court issued a judgment declaring lack of substantive jurisdiction. On 13/07/1441H (corresponding to 08/03/2020G), the Company applied to the Court of Appeal for registration as a creditor. Pending the judgment of the Court of Appeal	451,008
14.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for the Company's import services in accordance with the contract between the two parties.	A judgment of lack of jurisdiction substantive jurisdiction has been issued. On 21/08/1442H (corresponding to 03/04/2021G) the Public Court was addressed to determine the competent court and file it before the Supreme Court.	664,116
15.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amounts due for telecommunications and internet services performed by the Company in accordance with the contract between the two parties.	Currently under appeal. The judgment was returned from the Court of Appeal to the Court of First Instance with some observations, and a hearing was set for 02/02/14443H (corresponding to 09/09/2021G) to consider the court's decision.	98,500
16.	The Company	Private company	The Company has filed a claim against a private company for default on its entire obligations under the contract between the two parties despite the Company paying the full amount agreed upon.	The claim is pending before the Court of Appeal. The court disregarded the claim due to the existence of an arbitration clause. The Company petitioned the court to appoint an arbitrator, pending appointment of the court as no mechanism for appointing the arbitrator was specified in the contract between the Company and the defendant.	974,939
17.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due under the contract between the two parties.	The first instance judgment has been issued in favor of the Company, pending execution by the Execution Court.	85,050
18.	The Company	Private company	The Company has filed a claim against a private company in relation to a dispute over a lease contract between the two parties.	A first instance judgment was issued to the effect that the lease contract was terminated by the parties thereto, and the court disregarded the claim related to the rent amounting to SAR 21,728,047. The judgment has been appealed, pending a date for the hearing.	21,728,047
19.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company in accordance with the contract between the two parties.	The defendant paid most of the claim value, i.e., SAR 450,000 out of SAR 604,036.	604,036
20.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due under the contract between the two parties.	A hearing will be scheduled.	80,177
21.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company in accordance with the contract between the two parties.	A ruling was issued in favor of the Company for the full claim amount, and a request was submitted to the Execution Court on 24/08/1442H (corresponding to 06/04/2021G)	163,633
22.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company in accordance with the contract between the two parties.	On 16/11/1441H (corresponding to 07/07/2020G), a settlement agreement was entered into by the parties, under which the full claim amount is being sought.	157,646
23.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company.	A ruling was issued in favor of the Company for the full claim amount. On 30/08/1442H (corresponding to 12/04/2021G) a request was submitted to the Execution Court	2,180,746

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
24.	The Company	Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company. The defendant was declared bankrupt, and the Company communicated via e-mail with the bankruptcy trustee who announced, on the bankruptcy website, the extension of the period for submitting creditors' requests to the debtor. The secretary has confirmed receipt of the request via email.	On 22/04/1442H (corresponding to 07/12/2020G) a ruling was issued in favor of the Company for the full claim amount. The opposing party filed an appeal, pending the court setting a date for the hearing. On 05/06/1441H (corresponding to 30/01/2020G) A request was submitted to the bankruptcy trustee to register the Company as a creditor and the secretary confirmed the request via email.	84,180
25.		Private company	The Company has filed a claim against a private company for failure to pay the amount due for import, installation and internet services provided by the Company under the contract between the two parties. The defendant was declared bankrupt, and the Company communicated via e-mail with the bankruptcy trustee who announced, on the bankruptcy website, the extension of the period for submitting creditors' requests to the debtor. The secretary has confirmed receipt of the request via email.	On 16/11/1441H (corresponding to 07/07/2020G) a settlement agreement was entered into by the parties, under which the full claim amount is being sought.	95,578
Total value of commercial claims instituted by the Company					29,936,992

Source: The Company

12-11-2 Litigation and Labor Claims

The following table summarizes the labor lawsuits and claims, and proceedings instituted by or against the Company as of the date of this Prospectus.

Table (12-22): Summary of Labor Lawsuits and Claims Instituted by or Against the Company as of the Date of this Prospectus

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
Labor claims instituted by the Company					
1.	The Company	Employee	The employee obtained an advance from the Company based on execution bonds and resigned without paying the advance, and accordingly the Company filed a claim to collect the amount.	A judgment was issued in favor of the Company and on 13/05/1440H (corresponding to 19/01/2019G) a claim was filed with the Execution Court.	116,797
2.	The Company	Employee	The employee obtained an advance from the Company based on execution bonds and resigned without paying the advance, and accordingly the Company filed a claim to collect the amount.	A judgment was issued in favor of the Company and on 08/06/1440H (corresponding to 21/01/2021G) a claim was filed with the Execution Court.	51,400
3.	The Company	Employee	The employee filed a claim for compensation for unfair dismissal. The court delivered a judgment in their favor, and the full award amount was paid. The Company filed a petition against this judgment.	On 18/11/1441H (corresponding to 09/07/2020G), the Court of Appeal upheld the first instance judgment issued in favor of the employee, and the employee received all amounts awarded to them. The Company is now in the process of submitting a petition based on a judicial precedent in favor of the Company.	272,060
Total value labor claims instituted by the Company					440,257
Labor claims instituted against the Company					
1.	Employee	The Company	The employment relationship with the employee was terminated due to the end of the project, and accordingly a claim was filed against the Company for wages and dues owed to the employee.	The judgment was rendered in favor of the employee, and on 26/09/1442H (corresponding to 04/2021G) an enforcement order was issued against the Company, requiring it to deliver an experience certificate to the employee and renew the residence permit only.	264,969

#	Plaintiff	Defendant	Dispute Summary	Status	Financial Value of the Dispute (SAR)
2.	Employee	The Company	The contractual relationship with the employee was terminated, and accordingly, he/she filed a claim for undue payments.	On 26/06/1441H (corresponding to 20/02/2020G) the claim was closed with the Labor Settlement Department, and referred to the Labor Court.	6,000
3.	Employee	The Company	The contractual relationship with the employee was terminated, and accordingly, he/she filed a claim for undue payments.	On 25/04/1441H (corresponding to 22/12/2020G) the claim was closed with the Labor Settlement Department, and referred to the Labor Court.	5,000
4.	Employee	The Company	The worker was suspended from work and referred to the competent authorities for investigation, and accordingly, the worker filed a claim against the Company for service wages and financial entitlements.	On 18/06/1442H (corresponding to 31/01/2021G), a judgment was issued, suspending the claim until the criminal proceedings are adjudicated.	900,000
5.	Employee	The Company	The contractual relationship with the employee was terminated, and accordingly, he/she filed a claim for undue payments.	On 03/04/1442H (corresponding to 18/11/2020G), the case was dismissed because the plaintiff did not appear.	6,000
6.	Employee	The Company	The employment relationship with the employee was terminated, and accordingly he/she filed a claim for his/her financial remunerations and an experience certificate.	On 23/09/1442H (corresponding to 05/05/2021G), a judgment was delivered in favor of the employee.	44,290
7.	Employee	The Company	The employee filed a claim for compensation for the costs of an operation undergone by a member of his/her family in an out-of-network hospital that was not covered by insurance	The claim is still pending before the court, and the last hearing was held in 09/1442H (corresponding to 04/2021G).	4,100
8.	Employee	The Company	The contractual relationship with the employee was terminated, and accordingly, he/she filed a claim for undue payments.	On 16/08/1442H (corresponding to 29/03/2021G), the claim was referred to the Labor Court.	4,000
9.	Employee	The Company	The contractual relationship with the employee was terminated, and accordingly, he/she filed a claim for the end-of-service indemnity.	The claim is still pending before the court, and the last hearing was held in 09/1442H (corresponding to 04/2021G). On 26/10/1442H (corresponding to 6/06/2021G), a judgment was rendered in favor of the plaintiff.	14,281
Total value of labor claims instituted against the Company					1,248,640

Source: The Company

12-11-3 CITC Violations

A. Violation of SMS License

The Committee for Consideration of Violations of the Communications Law notified the Company, by virtue of letter No. 40746851/LN dated 10/10/1441H (corresponding to 02/06/2020G), of receipt of claim No. 40746851/D dated 25/05/1441H (corresponding to 20/01/2020G) submitted by the CITC regarding the Company's violation of Paragraph (5) of Article 37 of the Telecommunications Act which provides that the use or possession of any communications device unlicensed for use by the CITC is deemed a violation. Based on this claim, the CITC attributed the following to the Company:

- violation of the SMS License, for subcontracting the services licensed thereunder without the prior written consent of the CITC.
- violation of HE CITC Governor Letter No. MS/8509 dated 08/11/1440H (corresponding to 11/07/2019G), regarding the provision of short messages, wherein the operator's contract with a Type (B) Class Licenses provider, with which the customer enters into a contract for the purpose of sending short messages to the end user. However, the Company (in its capacity as a Type (B) Class Licenses provider) does not obtain short messages from the operators (Zain and Mobily) through its contract with them directly but through its contract with a business research and development company, which contracts with the operators to purchase SMS messages for the Company which entails a violation of the content of the abovementioned letter.

The proceedings are still pending, and so far no penalties have been imposed on the Company in this regard, which may result in penalties or fines incurred by the Company that may amount to twenty-five million Saudi riyals (SAR 25,000,000) pursuant to the Communications Law. The Company's defenses were submitted to the Committee for Consideration of Violations of the Communications Law on 23/10/1441H (corresponding to 16/06/2020G), and neither CITC nor the Committee for Consideration of Violations of the Communications Law has responded or taken any action up to the date of this Prospectus.

B. Violation of Failure to Protect User Information

The Committee for Consideration of Violations of the Communications Law issued Decision No. 41743273/S/1441 dated 23/10/1441H (corresponding to 15/06/2020G) against the Company with regard to CITC's claim that the Company has violated the Telecommunications Act through (i) the Company's failure to protect and secure its servers, resulting in leakage of sensitive data to the public internet involving the Company's vehicle tracking service customers, including live coordinates of sites of the Company's customers, which include many government and private entities; and (2) the Company's failure to provide the CITC with the information it requested, i.e., all data leaked through the network, and furnish CITC with proof that employees are aware of the internal policies related to amendments to technical systems, in addition to briefing CITC on all contracts with the affected customers.

The Committee for Consideration of Violations of the Communications Law issued its decision in favor of CITC and declared that the Company violated the following articles:

- Article 37 of the Telecommunications Act, which provides: "Any of the following actions by any operator, natural person or legal entity constitutes a violation: ... (18) Failure to provide the Commission with any report or information within its competence when requested from the service provider, as specified by under the Bylaws.... (20) Any other practice violating the provisions of this Act."
- Article 18 of the Telecommunications Act, which provides: the operators shall adhere to the conditions stated in the license issued to them."
- Paragraph (3) of Article 10 of the General Terms and Conditions for Type (B) Class Licenses, stating that "the licensee shall perform all the obligations under CITC Statutes and this license, including continuing to provide, develop and improve services in line with the objectives of the Statutes. The licensee shall in particular: ... (3) avoid discriminatory treatment of users, and ensure their privacy is maintained."
- Paragraph (2) of Article 58 of the Bylaws of the Telecommunications Act, stating: "The service provider shall operate its telecommunications systems and network while taking into account the privacy of the users. Except where the statutes and guidelines allow disclosure or the user agrees to the disclosure, the service provider may not collect, use or disclose information about the user or their communications, regardless of the intended purpose."
- Paragraph (4) of Article 58 of the Bylaws of the Telecommunications Act, which states: " Service providers shall ensure that user information is correct, accurate and up-to-date in order to achieve the purpose for which they are used, and that user information and communications are protected by means and methods proportionate to their sensitivity."

Pursuant to the decision, the Committee for Consideration of Violations of the Communications Law imposed the following penalties on the Company:

- a penalty of five million Saudi riyals (SAR 5,000,000) for failure to protect user information; and
- a penalty of two hundred thousand Saudi riyals (SAR 200,000) for failure to furnish the CITC with the required information.

On 15/08/1442H (corresponding to 28/03/2021G), the Company submitted an appeal against the judgment dismissing the claim that the Company had filed in objection to the decision, and the appeal judgment upheld the dismissal of the claim. The Company is in the process of filing an objection with the Supreme Administrative Court. The Company has also taken a number of measures to avoid the occurrence of such violations in the future. Following is a summary of these measures:

- A special department responsible for internal operational digital security has been created. The department has independent annual operating budget, staff and management structure. It reports to the CEO through the VP of Cybersecurity, depending on the structural principles employing best practices adopted by global consultant firms.
- A special department for the governance and management of customer data privacy has been established in order to ensure that all relevant departments follow the procedures and implement the policies adopted in this regard. The department reports to the Department of Internal Cybersecurity to ensure the highest required protections are provided.
- The testing environment and the production environment are fully separated.
- A world-class consulting firm was engaged to review the anonymization process.

12-11-4 Withholding Tax Dispute with the Zakat, Tax and Customs Authority

The Company has submitted an application to the Zakat, Tax and Customs Authority to leverage the Agreement to Avoid Double Taxation signed between the KSA and the UK, in order to recover the excess withholding tax on the payment of royalties fees with the Company's contractors (i.e., a withholding tax of 8% instead of 15%, as the Company expects, if its application is accepted, to recover approximately SAR 12 million), and exempt the technical services of the Company from withholding tax during the period from 15/11/1436H (corresponding to 30/08/2015G) until the date of this Prospectus. Whereas the Zakat, Tax and Customs Authority rejected the application submitted by the Company, the Company filed a claim against the Authority before the Committee for the Resolution of Tax Violations and Disputes, which issued its decision in favor of the Authority. Accordingly, the Company appealed the decision of the Committee for the Resolution of Tax Violations and Disputes on 02/04/1442H (corresponding to 17/11/2020G), and the dispute is still pending before the Appeal Committee as at the date of this Prospectus. The Company does not expect that this dispute will have a financial impact on the Company, given that the parties contracting with the Company will bear the disputed amounts in lieu of the Company.

13- Underwriting

The Company, Selling Shareholders, and Underwriters (HSBC Saudi Arabia, SNB Capital and Morgan Stanley Saudi Arabia) entered into an underwriting agreement on 09/02/1443H (corresponding to 16/09/2021G) (the “**Underwriting Agreement**”), pursuant to which the Underwriters have agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of twenty-four million (24,000,000) shares. The name and address of the Underwriters are set out below:

13-1 Name and Address of Underwriters

HSBC Saudi Arabia

HSBC Building
7267 Olaya Street, AlMurooj District
Riyadh 12283-2255
Kingdom of Saudi Arabia
Tel: +966 920005920
Fax: +966 11 2992385
Website: www.hsbcSaudi.com
Email: solutionsIPO@hsbcSaudi.com



SNB Capital

SNB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 11 920000232
Fax: +966 11 4060052
Website: www.alahlicapital.com
Email: snb.cm@alahlicapital.com



Morgan Stanley Saudi Arabia

Al Rashid Tower, 10th Floor
King Saud Road
P.O. Box 66633
Riyadh 11586
Kingdom of Saudi Arabia
Tel: +966 11 2187000
Fax: +966 11 2187003
Website: www.morganstanleysaudiArabia.com
Email: Ineqsy@morganstanley.com

Morgan Stanley

13-2 Summary of Underwriting Agreement

Under the terms and conditions of the Underwriting Agreement:

- a- The Selling Shareholders undertake to the Underwriters that, on the first business day following completion of the allocation of the Offer Shares at the end of the Offering Period, they shall:
 - 1- Sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for the Offer Shares has been accepted by the Receiving Entities.
 - 2- Sell and allocate to the Underwriters the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.
- b- The Underwriters undertake to the Selling Shareholders that they will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as set out below.

Table (13-1): Underwritten Shares

Underwriters	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
HSBC Saudi Arabia	8,000,000	33.3%
SNB Capital	8,000,000	33.3%
Morgan Stanley Saudi Arabia	8,000,000	33.3%

Source: The Company

The Company and the Selling Shareholders have committed to satisfy all provisions of the Underwriting Agreement.

13-3 Underwriting Costs

The Selling Shareholders will pay to the Underwriters an underwriting fee based on the total value of the Offering. In addition, the Selling Shareholders have agreed to pay the costs and expenses in connection with the Offering on behalf of the Company.

14- Offering Expenses

The Selling Shareholders shall bear all expenses and costs associated with the Offering, which are estimated at approximately SAR 63.3 million. This figure includes the fees of the Financial Advisors, the Underwriters, the Lead Manager, the Bookrunners, the Legal Advisor and the legal advisor to the Underwriters, the Financial Due Diligence Advisor, the Auditor, the Market Consultant, and the Receiving Entities, in addition to marketing, printing and distribution expenses and other related expenses. The expenses will be deducted from the proceeds of the Offering, with the Company not bearing any costs associated with the Offering.

15- Company's Post-Listing Undertakings

15- Company's Post-Listing Undertakings

Following listing, the Company undertakes to:

- Fill out Form 8 (regarding the observance of the Corporate Governance Regulations). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the Corporate Governance Regulations.
- Provide the CMA with the date on which the first General Assembly will be held following listing so a representative may attend.
- Submit transactions and contracts in which a Director has a direct or indirect interest for authorization by the General Assembly (in accordance with the Companies Law, the Corporate Governance Regulations, and the Rules of Listed Companies), provided that the interested Director is prohibited from voting on the relevant resolution, whether in the Board or the General Assembly (for further details about agreements with Related Parties, see Section 12.6 "**Agreements with Related Parties**" of this Prospectus).
- Immediately after Listing, comply with all mandatory provisions set out in the Corporate Governance Regulations, the Rules on the Offer of Securities and Continuing Obligations, and the Listing Rules.
- Immediately after Listing, comply with all the articles of ROSCOs.

Accordingly, following admission to listing, the Directors undertake to:

- Record all resolutions and deliberations in written meeting minutes signed by the Chairman and Secretary.
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16- Waivers

The Company submitted to the Exchange an application for exemption from Paragraph 2(b) of Article 7 of the Listing Rules, which requires that the shares subject of the application that will be owned by the public are not less than 30% of the Issuer's entire issued share capital at the time of Listing. The Exchange has approved the application following CMA's approval on 10/08/1442H (corresponding to 23/03/2021G).

17- Subscription Terms and Conditions

- 17-1 Subscription to Offer Shares
- 17-2 Offering Period
- 17-3 Subscription Conditions and Method for Each Category of Targeted Investors
- 17-4 Allocation and Refunds
- 17-5 Circumstances Where Listing May Be Suspended or Canceled
- 17-6 Approvals and Decisions Related to the Offer Shares
- 17-7 Lock-up Period
- 17-8 Subscription Declarations
- 17-9 Share Register and Trading Arrangements
- 17-10 Saudi Stock Exchange (Tadawul)
- 17-11 Trading of the Company's Shares
- 17-12 Miscellaneous

17- Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of securities and an application for listing of securities on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules. All Subscribers must carefully read the Subscription Terms and Conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Entity or a Bookrunner is deemed acceptance and approval of the Subscription Terms and Conditions.

17-1 Subscription to Offer Shares

The Offering will consist of twenty-four million (24,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share, at an Offer Price of Saudi riyals (SAR 151). The Offer Shares represent 20% of the Company's capital, with the total value of the Offering amounting to (SAR 3,624,000,000). Note that the Offering to Individual Investors and listing of the Company's shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, after approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material change occurs that adversely impacts the Company's operations.

The Offering is restricted to the following two tranches of investors:

Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Book Building Instructions (please refer to Section 1 **"Definitions and Abbreviations"** of this Prospectus). The number of Offer Shares to be initially allocated to Participating Parties is twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event that Individual Investors (as defined in Tranche B below) subscribe for all the Offer Shares allocated thereto, the Lead Managers shall have the right to reduce the number of shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Offer Shares representing 90% of the total Offer Shares. The mechanism for allocating the Offer Shares shall be determined as the Lead Managers see appropriate, in consultation with the Company, by using the discretionary allocation mechanism.

Tranche (B): Individual Investors: this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom and any GCC natural person, provided they have a bank account with one of the Receiving Entities and are entitled to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million, four hundred thousand (2,400,000) Offer Shares, representing 10% of the total Offer Shares, will be allocated to Individual Investors, provided that Participating Parties subscribe to all the Offer Shares allocated thereto. In the event that Individual Investors subscribe for all the Offer Shares allocated thereto, the Lead Managers shall have the right to reduce the number of shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

17-2 Offering Period

Three (3) days commencing on Sunday, 12/02/1443H (corresponding to 19/09/2021G) and ending on Tuesday, 14/02/1443H (corresponding to 21/09/2021G).

17-3 Subscription Conditions and Method for Each Category of Targeted Investors

17-3-1 Book Building for Participating Parties

- a- The Financial Advisors, in consultation with the Company and the Selling Shareholders, will determine the price range for the purposes of book building, which will be made available to all Participating Parties, using the discretionary allocation mechanism. The Company and the Lead Manager may, at their discretion, not allocate shares to some Participating Parties.
- b- Each Participating Party must submit a request to participate in the book building process by filling out the Participating Party bid form. Participating Parties may amend or cancel their requests at any time during the Book Building Period, provided that said requests are amended by submitting a modified bid form or an appended bid form (where applicable) before the end of the book building period. The number of Offer Shares for each Participating Party shall not be less than fifty thousand (50,000) shares and not more than five million, nine

hundred ninety-nine thousand, nine hundred ninety-nine (5,999,999) shares, and, in relation to public funds only, not exceeding the maximum limit for each participating public fund determined in accordance with the Book Building Instructions, and the number of requested shares must be allocatable. The Bookrunners shall notify Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Application Forms.

- c- Once the book building process for Participating Parties is completed, the Bookrunners will announce the subscription percentage for Participating Parties.
- d- The Bookrunners and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the underwriting agreement and provided that the Offer Price is in accordance with the tick size applied by the Exchange.

17-3-2 Subscription by Individual Investors

Each Individual Investor must subscribe for a minimum of ten (10) Offer Shares and a maximum of six hundred thousand (600,000) Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the subscription application has been submitted.

Subscription Application Forms will be available during the Offering Period on the websites of the Receiving Entities offering this service. Subscription Application Forms must be completed in accordance with the instructions mentioned below. Individual Investors can subscribe through the internet, telephone banking or ATMs of any of the Receiving Entities that offer any or all such services to its customers, provided that the following requirements are satisfied:

- a- the Individual Investor has a bank account at a Receiving Entity which offers such service; and
- b- there have been no changes to the personal information of the Individual Investor since their participation in a recent IPO.

A signed Subscription Application Form submitted to any branch of the Receiving Entities represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor.

Individual Investors may obtain a copy of this Prospectus through the websites of the Company (www.solutions.com.sa), the CMA (www.cma.org.sa), or the Financial Advisors (www.hsbcSaudi.com), (www.alahlicapital.com), and (www.morganstanleysaudiArabia.com). In addition, a copy of this Prospectus and the Subscription Forms can be obtained from the branches of the following Receiving Entities (or through the websites of Receiving Entities providing such service):

Saudi British Bank (SABB)

Prince Abdulaziz Ibn Musaid Ibn Jalawi Street
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (11) 440 8440
Fax: +966 (11) 276 3414
Website: www.sabb.com
Email: sabb@sabb.com



Saudi National Bank (SNB)

King Fahd Road, Al Aqiq District, King Abdullah Financial District
P.O. Box 3208, Unit 778
Riyadh 13519-6676
Kingdom of Saudi Arabia
Tel: +966 92000 1000
Website: www.alahli.com
Email: contactus@alahli.com



Al Rajhi Bank

King Fahd Road, AlMurooj District, Al Rajhi Bank Tower
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 828 2515
Fax: +966 (11) 279 8190
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Al Rajhi Bank مصرف الراجحي



Riyad Bank

Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

بنك الرياض
riyad bank

Alinma Bank

King Fahd Road, Al Anoud Tower
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia
Tel: +966 (11) 2118 5555
Fax: +966 (11) 218 5000
Website: www.alinma.com
Email: info@alinma.com

مصرف الإنماء
alinma bank

Bank Albilad

8229 Al Mutamarat
Riyadh 12711-3952
Kingdom of Saudi Arabia
Tel: +966 (11) 479 8888
Fax: +966 (11) 291 5101
Website: www.bankalbilad.com
Email: customercare@bankalbilad.com

بنك البلاد
Bank Albilad

The Receiving Entities offering this service will commence receiving Subscription Application Forms at some of their branches throughout the Kingdom or through the internet, telephone banking or ATMs of any of the Receiving Entities that offer any or all such services to its customers, beginning from Sunday, 12/02/1443H (corresponding to 19/09/2021G) until Tuesday, 14/02/1443H (corresponding to 21/09/2021G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Entity, the Subscription Application Form will be considered void. Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of (SAR 151) per Offer Share.

Subscriptions for less than ten (10) Offer Shares or fractional shares will not be accepted. Subscriptions for more than ten (10) Offer Shares must be made in multiples of said number, and the maximum number of Offer Shares that may be applied for is six hundred thousand (600,000) shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Entities will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- a- the original and copy of the Individual Investor's national civil identification card or residency identification card (in case of individuals, including GCC nationals, and non-Saudi Arabian national residents);
- b- the original and copy of the family civil identification card (when subscribing on behalf of family members);

- c- the original and copy of the power of attorney (when subscribing on behalf of others);
- d- the original and copy of the certificate of guardianship (when subscribing on behalf of orphans);
- e- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- f- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- g- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

If an application is submitted on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied with a valid original and copy of the power of attorney. The power of attorney must be notarized by a notary public for Individual Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official at the Receiving Entity shall compare the copy with the original and return the original to the Individual Investor.

One Subscription Application should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- a- all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
- b- the primary Individual Investor will receive any refund of amounts for unallocated shares paid for by himself or by dependent Individual Investors; and
- c- the primary Individual Investor will receive all dividends distributed for the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

A separate Subscription Application Form must be used if:

- a- the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
- b- dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; and
- c- a wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In this case, applications made by husbands on behalf of their spouses will be canceled and the independent application of the wife will be processed by the Receiving Entity.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe under their names for her own benefit provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a primary subscriber subscribes for himself and members of his family registered in the family register, and then a member of that family submits a separate Subscription Application, only the request of the family member who submitted a separate Subscription Application will be removed from the main Subscription Application.

During the Offering Period, a valid Iqama will be the only acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18). Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of (SAR 151) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated thereto upon:

- a- delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Entities; and
- b- payment in full by the Individual Investor to the Receiving Entity of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a Receiving Entity branch by authorizing a debit of the Individual Investor's account held with the Receiving Entity to which the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such application. Individual Investors shall accept any number of Offer Shares allocated thereto unless the allocated shares exceed the number of Offer Shares they applied for.

17-4 Allocation and Refunds

The Lead Manager shall open and operate an escrow account for the purpose of depositing and keeping subscription amounts collected from Participating Parties and Receiving Entities (on behalf of Individual Investors). Subscription amounts shall be transferred to the Selling Shareholders only after Listing and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the Subscription Application Forms. In addition, Receiving Entities shall deposit all amounts received from Individual Investors into the escrow accounts.

The Lead Manager and Receiving Entities, as applicable, will notify Subscribers of the final number of Offer Shares allocated thereto together with the amounts to be refunded. Excess subscription amounts, if any, will be refunded to Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Form. Announcement of the final allocation will be made on or before Monday, 20/02/1443H (corresponding to 27/09/2021G), and refund of subscription amounts will be made on or before Wednesday, 22/02/1443H (corresponding to 29/09/2021G). Subscribers should communicate with the Lead Manager or the branch of the Receiving Entity where they submitted their Subscription Application Form, as applicable, for further information.

17-4-1 Allocation of Offer Shares to Participating Parties

The initial allocation of the Offer Shares will be made, as the Financial Advisors deem appropriate, in coordination with the Company, using the discretionary allocation mechanism. The Company and the Lead Managers may, at their discretion, not allocate shares to some Participating Parties, after the allocation of Offer Shares to Individual Investors is completed, provided that the initial number of Offer Shares initially allocated to Participating Parties is not less than twenty-four million (24,000,000) Offer Shares, representing 100% of the Offer Shares, and the final allocation to Participating Parties is not less than twenty-one million, six hundred thousand (21,600,000) Offer Shares, representing 90% of the Offer Shares.

17-4-2 Allocation of Offer Shares to Individual Investors

A maximum of two million, four hundred thousand (2,400,000) Offer Shares, representing 10% of the total Offer Shares, will be allocated to Individual Investors. The minimum allocation per Individual Investor is ten (10) shares, and the maximum allocation per Individual Investor is six hundred thousand (600,000) shares. The balance of the Offer Shares (if any) will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Individual Investor to the total Offer Shares applied for. In the event that the number of Individual Investors exceeds two hundred forty thousand (240,000) Individual Investors, the minimum allocation cannot be guaranteed by the Company and the allocation shall be made as per the instructions of the Company and the Financial Advisors. Excess subscription amounts, if any, will be refunded to Individual Investors without any commissions or deductions by the Receiving Entities.

17-5 Circumstances Where Listing May Be Suspended or Canceled

17-5-1 Power to Suspend Trading or Cancel Listing

- a- The CMA may suspend trading of the shares or cancel the listing at any time as it deems fit, in any of the following circumstances:
- 1- if the CMA deems it necessary to protect investors or maintain an orderly market;
 - 2- if the Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, the Implementing Regulations thereof or the Exchange Rules;
 - 3- the Company fails to pay any fees due to the CMA or the Exchange or any fines due to the CMA on time;
 - 4- the CMA deems that the Company, its business, the level of its operations or its assets are no longer suitable for the continued listing of securities on the Exchange; or
 - 5- when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the Company announces sufficient information regarding the target entity and the CMA is satisfied, following the Company's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage; or
 - 6- when information about the proposed reverse takeover is leaked and the Company cannot accurately

- assess its financial position and is unable to inform the Exchange accordingly.
- 7- When an application for financial restructuring of the Company is registered with the court under the Bankruptcy Law, in the event that the Company's accumulated losses reach 50% or more of its capital.
 - 8- When a request for the liquidation or administrative liquidation of the Company is registered with the court under the Bankruptcy Law.
 - 9- Upon issuance of a final judgment closing financial restructuring procedures and initiating administrative liquidation procedures of the Company under the Bankruptcy Law.

The Exchange may at any time propose that the CMA suspend trading of the Company's shares or cancel its listing where, in its opinion, it is likely that any of the above circumstances are going to occur. In addition, upon the Company's completion of a reverse takeover, the Issuer's shares shall be de-listed. If the Company wishes in that case to re-list its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

- b- The Exchange shall suspend the trading of the Company's securities in any of the following cases:
- 1- when the Company does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the relevant implementing regulations;
 - 2- when the Auditor's report on the Company's financial statements contains an adverse opinion or a disclaimer of opinion;
 - 3- if the liquidity requirements in Part 2 of the Listing Rules are not satisfied within the period determined by the Exchange for the Company to rectify its conditions, unless the CMA agrees otherwise; or
 - 4- when of a resolution by the Company's Extraordinary General Assembly to reduce its capital takes effect, for the two trading days following the date such resolution takes effect.

The Exchange shall lift the suspension referred to in subparagraphs (1) and (2) above after the passage of one trading session following elimination of the grounds for the suspension. If trading of the Company's shares is available outside the platform, the Exchange shall lift the suspension within not more than five (5) trading sessions following elimination of the grounds of the suspension.

17-5-2 Voluntary Cancellation of Listing

- a- After the securities have been listed, the Company may not cancel the listing of its securities on the Exchange without the prior approval of the CMA. To obtain CMA approval, the Company must submit the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:
- 1- the specific reasons for the cancellation request;
 - 2- a copy of the disclosure described in paragraph (d) below;
 - 3- a copy of the relevant documentation and a copy of each related communication to the Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Company; and
 - 4- the names and contact information of the Financial and Legal Advisors appointed according to the relevant Implementing Regulations.
- b- The CMA may, at its discretion, approve or reject the cancellation request.
- c- The Company must obtain the approval of the Extraordinary General Assembly for the cancellation of the Listing after obtaining CMA approval.
- d- Where cancellation is made at the Company's request, the Company must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the Company's activities.

17-5-3 Temporary Trading Suspension

- a- The Company may request that the Exchange temporarily suspend trading of its securities if an event occurs during trading hours which requires immediate disclosure under the Capital Market Law, the Implementing Regulations thereof or the Exchange Rules, and the Company cannot maintain the confidentiality of this information until the end of the trading period. The Exchange will suspend trading of the Company's securities immediately upon receiving such request.
- b- When trading is temporarily suspended at the Company's request, the Company must disclose to the public as soon as possible the reason for the suspension, the anticipated period thereof, the nature of the event that caused the suspension, and the extent to which it affects the Company's activities.

- c- The CMA may impose a temporary trading suspension without a request from the Company where the CMA becomes aware of information or circumstances affecting the Company's activities that the CMA believes would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the Company must continue to comply with the Capital Market Law, the Implementing Regulations thereof and the Exchange Rules.
- d- The Exchange may at any time propose that the CMA exercise its authority under Paragraph (c) above if it becomes aware of information or circumstances that might affect the Company's activities and would likely impact the activity of the Exchange or the protection of investors.
- e- Temporary trading suspensions will be lifted following the elapse of the period referred to in the disclosure specified in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

17-5-4 Lifting of Suspension

Lifting of a trading suspension under Paragraph (a) of Section 17.5.1 **"Power to Suspend Trading or Cancel Listing"** of this Prospectus is subject to the following:

- a- adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors;
- b- lifting of the suspension being unlikely to affect the normal activity of the Exchange; and
- c- the Company complying with any other conditions that the CMA may require.
- d- Upon issuance of a final judgment initiating the financial restructuring of the Company under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority, in the event the suspension was in accordance with Article 36, Paragraph A, Subparagraph 13 of the Listing Rules.
- e- Upon issuance of a final judgment rejecting the liquidation procedures or administrative liquidation under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority, in the event the suspension was in accordance with Article 36, Paragraph A, Subparagraph 14 of the Listing Rules.

In the event that the listing suspension continues for six (6) months with no appropriate procedures being adopted by the Company to correct such suspension, the CMA may cancel the Company's listing.

17-6 Approvals and Decisions Related to the Offer Shares

Following are the decisions and approvals pursuant to which the Offer Shares will be offered:

- a- The resolution of the Company's Board of Directors recommending the Offering dated 03/07/1442H (corresponding to 15/02/2021G).
- b- The resolution of the Company's General Assembly approving the Offering dated 04/07/1442H (corresponding to 16/02/2021G).
- c- The CMA's announcement of the approval of the application for registration and offer of securities dated 18/11/1442H (corresponding to 28/06/2021G).
- d- The conditional approval of Saudi Tadawul Group (Saudi Exchange) of the listing of the Shares dated 28/09/1442H (corresponding to 10/05/2021G).

17-7 Lock-up Period

stc may not dispose of its shares for a period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. Following the Lock-up Period, the substantial shareholder may dispose of such shares, without the prior approval of the CMA.

17-8 Subscription Declarations

By completing and submitting the Subscription Application Form, each Subscriber:

- a- agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;
- b- warrants that they have read and carefully examined this Prospectus and understood its content;
- c- accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes for the Offer Shares accordingly;

- d- declares that neither they nor any of their family members included in the Subscription Application Form have previously subscribed for any shares and that the Company has the right to reject any or all duplicate applications.
- e- accepts the number of Offer Shares allocated thereto (to the maximum of the amount subscribed for) under the Subscription Application Form;
- f- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Receiving Entity; and
- g- retain their right to sue the Company for damages directly caused by material incorrect or incomplete information contained in the Prospectus, or by the omission of material information from this Prospectus that may have affected the Subscriber's decision to purchase the Shares had it been included.

17-9 Share Register and Trading Arrangements

The Depository Center shall keep a Shareholder Register containing the Shareholders' names, nationalities, addresses, professions, the Shares held thereby and the amounts paid for such Shares.

17-10 Saudi Stock Exchange (Tadawul)

In 1990G, full electronic trading of equities in the Kingdom was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. Outside those times, orders can be entered, amended or canceled from 9:30 am to 10:00 am. These hours may change during the month of Ramadan and are announced on Tadawul's official website. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit). If several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled within two days, i.e., transfer of share ownership takes two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information important to investors via Tadawul. As the operator of the Market, Tadawul is responsible for surveillance and monitoring to ensure fair-trading and an orderly market.

17-11 Trading of the Company's Shares

Trading of the Shares is expected to commence after the final allocation process and the announcement of the start date of trading of the Company's shares. Following Listing, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Qualified Foreign Investors will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with CMA Authorized Persons to acquire, hold and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Authorized Persons shall be deemed the legal owners of the Shares under the swap agreements.

Offer Shares can only be traded after the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17-12 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, terms and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus has been released in both the Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for foreign financial institutions subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and the sale of Offer Shares and to observe all such restrictions.

18- Documents Available for Inspection

18- Documents Available for Inspection

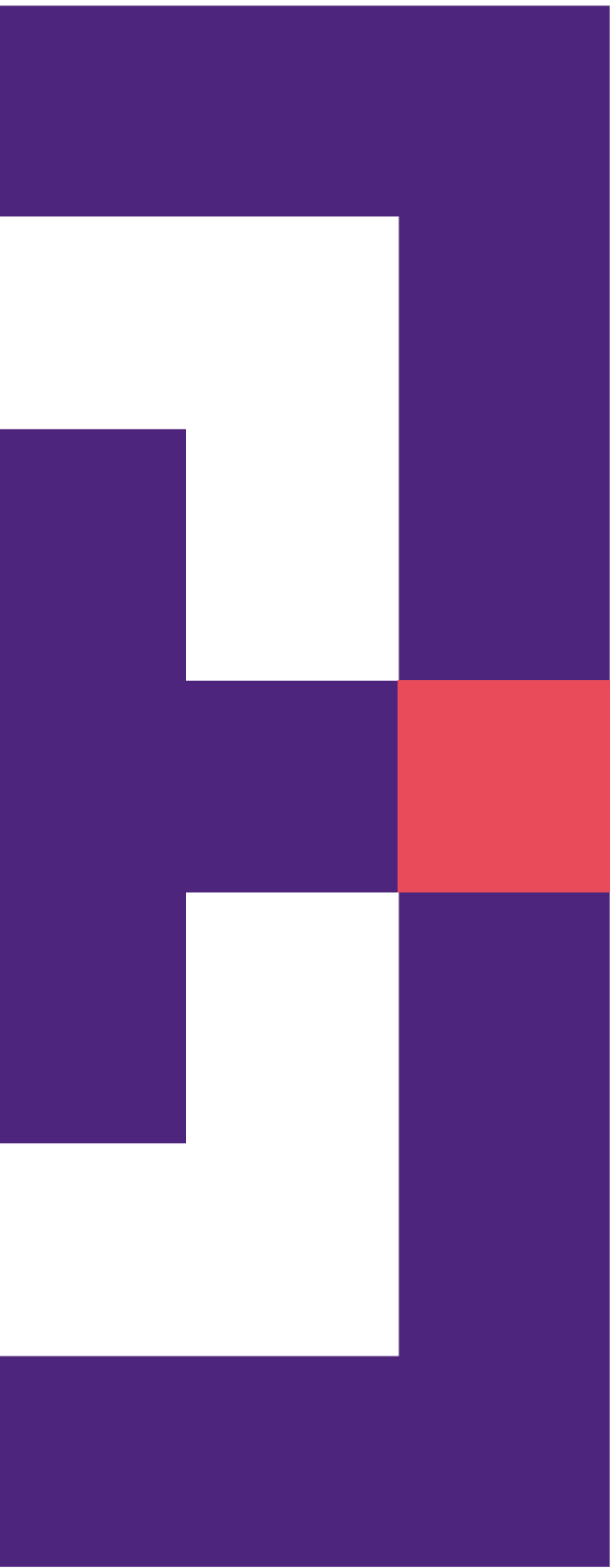
The following documents will be available for inspection at the Company's headquarters, between 9:00 a.m. and 3:00 p.m. from Sunday, 14/01/1443H (corresponding to 22/08/2021G) until Tuesday, 14/02/1443H (corresponding to 21/09/2021G), for a period of no less than twenty (20) days prior to the end of the Offering Period:

- a- CMA's announcement of the approval of the Offering.
- b- The Company's General Assembly resolution approving the Offering dated 04/07/1442H (corresponding to 16/02/2021G).
- c- The Company's Bylaws and amendments thereto.
- d- The Company's memorandum of association and amendments thereto.
- e- The Company's commercial registration certificate issued by the MOC.
- f- The Company's audited consolidated financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the interim condensed consolidated financial statements (unaudited) for the period ended June 30, 2021.
- g- A document on the Issuer's evaluation methods.
- h- The market study report prepared by the Market Consultant.
- i- All other reports, letters, documents, valuations and data prepared by any expert wholly or partly included or referred to in the Prospectus.
- j- Contracts and agreements disclosed in Section 12.5 "**Material Agreements**" and Section 12.6 "**Agreements with Related Parties**" of this Prospectus.
- k- Letters of consent from:
 - 1- the Financial Advisors, Bookrunners and Underwriters (HSBC Saudi Arabia, SNB Capital, and Morgan Stanley Saudi Arabia) for the inclusion of their respective names, logos and statements in this Prospectus;
 - 2- the Lead Manager (HSBC Saudi Arabia) for the inclusion of its name, logo and statement in this Prospectus;
 - 3- the Legal Advisor (Law Office of Salman M. Al-Sudairi) for the inclusion of its name, logo and statement in this Prospectus;
 - 4- the Auditor (Ernst & Young & Co. (Certified Public Accountants)) for the inclusion of its name, logo and reports, on the audited consolidated financial statements for the Company for the financial years ended December 31, 2018G, 2019G and 2020G, in this Prospectus;
 - 5- the Financial Due Diligence Advisor (PricewaterhouseCoopers) for the inclusion of its name, logo and statements in this Prospectus;
 - 6- the Market Consultant (Arthur D. Little Saudi Arabia) for the inclusion of its name, logo and statements in this Prospectus; and
- l- the Underwriting Agreement.

19- Financial Statements and Auditor's Report

19- Financial Statements and Auditor's Report

This section contains the audited consolidated financial statements of the Company for the financial years ended December 31, 2018G, 2019G and 2020G and the interim condensed consolidated financial statements (unaudited) for the period ended June 30, 2021 and notes thereto, prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and publications that are endorsed by SOCPA and audited by Ernst & Young & Co. (Certified Public Accountants).



Dynamism

Agile, Collaborative
and Fresh

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898
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**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO THE PARTNERS OF ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY
(A LIMITED LIABILITY COMPANY)**

Opinion

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountant] and the provisions of Companies' Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO THE PARTNERS OF ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY
(A LIMITED LIABILITY COMPANY) (continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. (427)

Riyadh: 7 Shawwal 1440H
(10 June 2019)



ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		SR	SR
			(Restated - note 34)
Revenue	6	4,041,299,094	2,962,261,759
Cost of revenue		(3,076,251,709)	(2,047,609,184)
Gross profit		965,047,385	914,652,575
Selling and distribution expenses	7	(113,017,200)	(86,140,622)
General and administration expenses	8	(270,184,574)	(207,276,453)
Impairment of accounts receivable and contract assets	29	(9,521,224)	(51,196,193)
Foreign exchange loss		(332,995)	(451,391)
Other income	9	5,974,989	6,557,555
Net profit before finance income and zakat		577,966,381	576,145,471
Finance income	10	30,320,270	23,849,859
Finance charges		-	(2,529,141)
Net profit before zakat		608,286,651	597,466,189
Zakat	11	(51,831,227)	(47,604,307)
Net profit for the year		556,455,424	549,861,882
Other comprehensive income			
Item that will not be reclassified subsequently to consolidated profit or loss:			
Remeasurement of end of service indemnities	24	10,790,000	11,400,000
Total comprehensive income for the year		567,245,424	561,261,882

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017	1 January 2017
		SR	SR	SR
			(Restated - note 34)	(Restated - note 34)
ASSETS				
Current assets				
Cash and cash equivalents	12	892,386,612	595,783,139	482,128,145
Murabaha time deposits	13	230,400,000	800,000,000	300,000,000
Accounts receivable	14	1,829,107,460	976,519,383	1,136,294,602
Prepayments and other assets	15	301,086,986	135,571,878	396,983,966
Contract assets	16	867,957,649	852,852,951	586,600,607
Inventories	17	140,296,933	71,375,837	51,198,653
Total current assets		4,261,235,640	3,432,103,188	2,953,205,973
Non-current assets				
Contract costs		22,557,665	-	-
Equity investments at fair value through other comprehensive income	18	50,000	50,000	1,050,000
Intangible assets	19	64,203,934	34,277,915	10,155,891
Property and equipment	20	102,002,033	41,582,680	29,414,404
Total non-current assets		188,813,632	75,910,595	40,620,295
TOTAL ASSETS		4,450,049,272	3,508,013,783	2,993,826,268
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities				
Accounts payable and accruals	21	1,236,167,526	815,327,486	1,137,645,603
Deferred revenue	22	987,924,871	480,718,121	314,802,033
Contract liabilities	23	335,775,703	647,538,907	609,624,310
Zakat payable	11	99,050,504	74,048,117	26,537,052
Total current liabilities		2,658,918,604	2,017,632,631	2,088,608,998
Non-current liability				
End of service indemnities	24	125,754,092	92,250,000	68,348,000
Total non-current liability		125,754,092	92,250,000	68,348,000
TOTAL LIABILITIES		2,784,672,696	2,109,882,631	2,156,956,998

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017	1 January 2017
		SR	SR	SR
			(Restated - note 34)	(Restated - note 34)
EQUITY				
Share capital	25	100,000,000	100,000,000	100,000,000
Statutory reserve	26	50,000,000	50,000,000	50,000,000
Retained earnings		1,515,376,576	1,248,131,152	686,869,270
TOTAL EQUITY		1,665,376,576	1,398,131,152	836,869,270
TOTAL LIABILITIES AND EQUITY		4,450,049,272	3,508,013,783	2,993,826,268

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Statutory reserve	Retained-earnings	Total
	SR	SR	SR	SR
Balance as at 31 December 2017	100,000,000	50,000,000	1,317,196,798	1,467,196,798
Adjustments due to initial application of IFRS 9 & IFRS 15 (note 34)	-	-	(69,065,646)	(69,065,646)
Adjusted balance as at 1 January 2018 (Restated - note 34)	100,000,000	50,000,000	1,248,131,152	1,398,131,152
Total comprehensive income for the period	-	-	567,245,424	567,245,424
Dividends (note 27)	-	-	(300,000,000)	(300,000,000)
Balance as at 31 December 2018	100,000,000	50,000,000	1,515,376,576	1,665,376,576
Balance at 1 January 2017	100,000,000	50,000,000	688,948,659	838,948,659
Adjustments due to initial application of IFRS 9 & IFRS 15 (note 34)	-	-	(2,079,389)	(2,079,389)
Adjusted balance as at 1 January 2017 (Restated)	100,000,000	50,000,000	686,869,270	836,869,270
Total comprehensive income for the period (Restated - note 34)	-	-	561,261,882	561,261,882
Balance as at 31 December 2017 (Restated - note 34)	100,000,000	50,000,000	1,248,131,152	1,398,131,152

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 SR	2017 SR
OPERATING ACTIVITIES			
Net profit before zakat		608,286,651	597,466,189
Adjustments for:			
Provision for end of service indemnities	24	52,806,092	45,460,000
Depreciation and amortization	19,20	42,994,297	18,214,121
Impairment of accounts receivable and contract assets	29	9,521,224	51,196,193
Provision for penalties		7,966,374	1,454,959
Finance income	10	(30,320,270)	(23,849,859)
Reversal for future estimated contract losses		(8,341,518)	(4,621,301)
(Reversal) / provision of slow moving and obsolete inventories	17	(4,442,667)	6,569,677
Provision for advances to suppliers	8	(2,345,488)	29,155,467
Impairment of equity investments at FVOCI		-	1,000,000
Finance charges		-	2,529,141
		676,124,695	724,574,587
Changes in operating assets and liabilities:			
(Increase)/decrease in accounts receivable		(870,075,675)	107,124,067
(Increase)/decrease in prepayments and other assets		(164,036,925)	243,204,155
Increase in contract assets		(15,104,698)	(266,252,344)
Increase in inventories		(64,478,429)	(26,746,861)
Increase in contract costs		(22,557,665)	-
Increase/(decrease) in accounts payable and accruals		429,181,558	(317,696,816)
Increase in deferred revenue		507,206,750	165,916,088
(Decrease)/increase in contract liabilities		(311,763,204)	37,914,597
Cash generated from operations		164,496,407	668,037,473
Zakat paid	11	(26,828,840)	(93,242)
End of service indemnities paid	24	(8,512,000)	(10,158,000)
Finance charges paid		-	(16,369,763)
Finance income received		31,187,575	26,742,947
Net cash generated from operating activities		160,343,142	668,159,415

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 SR	2017 SR
INVESTING ACTIVITIES			
Net movement of Murabaha time deposits		569,600,000	(500,000,000)
Purchase of property, equipment and intangible assets	19,20	(133,339,669)	(54,504,421)
Net cash generated from/(used) in investing activities		436,260,331	(554,504,421)
FINANCING ACTIVITY			
Dividend paid		(300,000,000)	-
Cash used in financing activity		(300,000,000)	-
Net increase in cash and cash equivalents		296,603,473	113,654,994
Cash and cash equivalents at the beginning of the year		595,783,139	482,128,145
Cash and cash equivalents at the end of the year		892,386,612	595,783,139

The accompanying notes (1) to (37) form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018

1- ACTIVITIES

Arabian Internet and Communication Services Company ("the Company") is a Saudi Limited Liability Company registered in Saudi Arabia under commercial registration numbered 1010183482 and dated 8 Dhul Qadah 1423H (corresponding to 10 January 2003). The registered office is located at Riyadh, Olaya street, P.O. Box 50, Riyadh 11372, Kingdom of Saudi Arabia ("KSA").

The Company is engaged in electrical, mechanical and electronic contracting works. It also covers installation, maintenance of wireless, line telecommunications equipment, licensed information technology and professional services related to senior management, which includes general management, finance, marketing, human resourcing, production management and public relations.

The following are the details of the subsidiary company included in these consolidated financial statements:

Subsidiary	Country of incorporation	Ownership %		
		31 December 2018	31 December 2017	1 January 2017
Saudi Digital Payments Company (Owned by One Person)	Kingdom of Saudi Arabia	100%	100%	-

Saudi Digital Payments Company (Owned by One Person) ("the Subsidiary") is a Limited Liability Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010901344 and dated 1 Rabi Awal 1439H (corresponding to 19 November 2017) with a capital of SR 100 million paid in cash. The Subsidiary has 100,000 shares with a nominal value of SR 1,000 per share and it is fully owned by the Company. The principal activities of the Subsidiary are operating systems, e-commerce and internet trading.

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

On 2 Muharram 1440 (corresponding to 12 September 2018), the board of directors of stc has decided to transfer the ownership of the subsidiary from the Company to stc. The legal formalities to transfer the ownership are still in process and hence the assets, liabilities and results of the subsidiary are still consolidated in these consolidated financial statements.

On 16 Muharram 1440H (corresponding to 26 September 2018), the Board of Directors of the Company decided to register a new company in Egypt. The legal proceedings regarding this is still in process.

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 11 Shaban 1440H (corresponding to 16 April 2019).

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

2- BASIS OF PREPARATION

Statement of compliance

These are the Company and the subsidiary's (together the "Group"), complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

This is the first set of the Group's annual financial statements in which IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been applied. Changes to significant accounting policies are described in note 3.

These consolidated financial statements are based on the following:

- Significant accounting policies described in note 3
- Significant accounting estimates, assumptions and judgements described in note 5

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

3- SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement and functional currency

The 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 referred to below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the Company's functional currency.

The significant accounting policies applied by the Group in the preparation of consolidated financial statements are set out below:

Basis of consolidation

Refer to note 5 for details on judgements applied by the Group in respect of determination of control.

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and the subsidiary listed in note (1).

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the partners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Company's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Principles of consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of profit or loss; and
- reclassifies the partner's share of components previously recognized in consolidated other comprehensive income to consolidated profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in the consolidated profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in consolidated other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in consolidated other comprehensive income are reclassified to the consolidated profit or loss.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 is disclosed in note 34 to the consolidated financial statements.

System integration services

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network. Under IAS 18 and IAS 11, revenue is recognized by using the stage of completion method. However, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software, which the customer has purchased. The Group also provides right to maintenance and support service to its customer (i.e. sells maintenance and support). These services are stand-ready services and the cost incurred on them are directly attributable to the project. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligations based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on expected cost plus margin.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material, where revenue on equipment and materials is recognized only upon transfer of control to the customers upon delivery i.e. at a zero percent profit margin.

Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs.

Revenue on training is recognized over time using input method.

The Group offers perpetual and limited life licenses, which are accounted for as a performance obligation satisfied at a point in time at which the license is granted to the customer. The license, support service and upgrades are separate performance obligations. The Group recognizes the revenue when control transfers. Revenue is not recognized for a license that provides a right to use the intellectual property before the beginning of the period during which the customer is able to use and benefit from the license. In the case of sale of software licenses together with the hardware devices, the device and software will be accounted for as one performance obligation, without the software license being a separate performance obligation. The revenue from the one performance obligation will be recognized in accordance with the relevant treatment for the hardware device.

Cloud and data center services

Cloud and data center service revenue represent revenue generated by selling the cloud and data center products hosted on the marketplace. and falls broadly into two options:

a- The Group's own off-the-shelf or customized cloud products:

Cloud products are primary responsibility of the Company and certain third party Cloud Service Providers ("CSP"). The Group has the primary obligation to render services to the customer for its own off-the-shelf or customized cloud products to fulfil its performance obligation. The Group has responsibility for meeting customer specifications. The Group also has discretion for establishing the prices for respective cloud product. Generally, there is no inventory involved as such. Cases where equipment's or sms's are separately sold to customer, the Group bears the inventory risk. Therefore, the Group is the principal under this arrangement because it controls the specified cloud service before they are transferred to the end customer and, consequently, shall recognize revenue in the gross amount of consideration to which it is entitled in exchange for providing the services to the end customer.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Cloud and data center services (continued)

b- Third party CSP cloud products:

The CSP are primarily responsible to render services to the customers for the promises to deliver cloud services, hardware or the bundled solution at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer. The respective CSP on their own establishes the prices for their cloud products and the Group does not have discretion in establishing the price for the CSP cloud products. Therefore, the Group is an agent in this arrangement. Whereby the cloud is sold through stc's marketplace, the Group is principal toward stc but remains agent toward the end customer.

Since cloud contracts have terms of minimum commitment with the customers, the Group estimates the variable consideration using expected value approach only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Customer avails the benefit of these services over the period as and when they consume the cloud product. Revenue is recognized over a period of time. Each pre-defined and customized product is further divided into two categories based on their nature:
 - a- Subscription packages – Revenue is recognized over a period of time based on time elapsed output method
 - b- Pay as use packages – Revenue is recognized over a period of time applying usage base output method
- Hardware ("Add-ons") - Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation or delivery.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Cloud and data center services (continued)

The Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Where cloud and data center services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cloud and data center services is recognized as revenue based on above policy.

The Group charges the customers for certain activation activity. However, under IFRS 15 the activation activity does not give rise to promised goods or services which are distinct in nature. Applying the guidance of non-refundable upfront fees, the Group recognizes revenue from activation fees when the goods or services to which they relate are provided to the customer.

Outsourcing services

The Group provides outsourcing services which primarily includes manpower services or managed manpower services or solution support. Further, in case of manpower services customer may also request the Group to deliver some hardware equipment.

The hardware equipment are sold separately in the market. The customers can demand the equipment under the manpower service arrangement, which are independent of the professional service. There is neither integration of hardware with the services nor any modification or customization to the equipment. Thus, hardware is a separately identifiable component in the outsourcing contract (only in case of manpower services) and accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue for manpower services is recognized over a period of time using input method based on cost incurred. If contracts include hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. The revenue for solution support is recognized over a period of time using output method based on time elapsed. There was no restatement as the Group's policy under IAS 18 is already in line with the requirements of IFRS 15.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Communication and internet services

Communication and internet services revenue represent revenue generated by selling Dedicated Internet Access (DIA) and data services. If communication and internet services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to Internet services (DIA) as the customer avails the benefit of these services over the period as and when they consume the internet service. The revenue is recognized over a period of time using output method based on time elapsed. Revenue in relation to data services is recognized when the customer avails the benefit of these services over the period as and when they consume the data service. Revenue to be recognized over a period of time using output method based on time elapsed (coinciding with the billing). There was no restatement as the Group's policy under IAS 18 is already in line with the requirements of IFRS 15.

Managed services

Revenue from managed service includes managed router service, managed LAN service and managed Wi-Fi service.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable and from other items and if a customer can benefit from it.

Managed router services revenue represent revenue generated by selling routers, managing the routers and providing technical support service and are recognized as follows:

- **Hardware:** Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon delivery.
- **Managed router services:** Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.
- **Technical support services:** Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.

Where managed services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices, which for the hardware is adjusted market or cost plus margin approach and for the managed router services and technical support services it is observable prices. The consideration allocated to managed services is recognized as revenue based on the above policy. There was no restatement as the Group's policy under IAS 18 is already in line with the requirements of IFRS 15.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Digital services

Revenue from digital service includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable and from other items and if a customer can benefit from it.

Fleet control services revenue represents revenue generated by selling fleet control devices (hardware), application service and value added service like roaming service and are recognized as follows:

- Hardware (devices): Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation.
- Application services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.
- Valued added services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on usage.

There was no restatement as the Group's policy under IAS 18 is already in line with the requirements of IFRS 15.

Cyber Security services

Cyber security revenue represents revenue generated from providing security products and services to the customers' networks, or any other security services.

In case of projects, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software which the customer has purchased. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material guidance where revenue on hardware/software is recognized only to the extent of the cost incurred i.e. at a zero percent profit margin. Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs. Revenue on training is recognized over time using input method.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Cyber Security services (continued)

In case of managed security services, there are three performance obligations: hardware, installation and managed security services. They are capable of being distinct and distinct within the context of the contract. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin or adjusted market price. The Group recognizes revenue related to the hardware with its installation at a point in time when installation is done. Revenue on managed security services is recognized over time based on time elapsed since the customer is receiving and consuming the benefit provided by the Group simultaneously as the Group performs the same.

Where cyber security services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cyber security services is recognized as revenue based on above policy.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Other considerations

- **Contract costs**

The Group may incur cost to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services, and are periodically reviewed for impairment. There was no restatement due to this change as no contract costs have been identified as at 31 December 2017.
- **Work-in-progress**

Work-in-progress for an over-time performance obligation is generally expensed as a fulfillment cost when it is incurred because control of the work in progress transfers to the customer as it is produced and not at discrete intervals. However, inventory to support multiple contracts that has an alternative use is recognized as an asset until it is dedicated to a specific contract.
- **Contract assets and liabilities**

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. There was some reclassification from unbilled revenue to contract assets and from advances from customers to contract liabilities due to this change.
- **Principal versus agent consideration**

The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price.

Where the Group performs agency related activities under a contract as the end customer receives project management and coordination support, the Group only recognizes net commission income, as the Group arranges for another party to transfer goods or services under such arrangement and accordingly is acting as an agent.
- **Variable consideration**

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Other considerations (continued)

- **Presentation and disclosure requirements**
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 6 for the disclosure on disaggregated revenue.
Practical expedient applied for adopting IFRS 15 "Revenue from Contracts with Customers"
- **Practical expedient for significant financing**
Applying the practical expedient in paragraph 63 of IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if at contract inception it is expected that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
- **Practical expedient for contract costs with amortization period within a year**
Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized in one year or less.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017. The effect of adopting IFRS 9 is disclosed in note 34 to the consolidated financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 does not have a significant effect on the Group's accounting policies related to financial liabilities.

Under IFRS 9, upon initial recognition, a financial asset is classified and measured at amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains, losses, and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, contract assets and murabaha time deposits.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs for private customers. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For government and stc receivables, a review is done on quarterly basis to determine the balances that need a specific provision or write-off.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the consolidated statement of profit or loss and OCI.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2017 relates solely to the new impairment requirements. The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial instruments:

	Notes	Classification under IAS 39	Classification under IFRS 9
Financial assets			
Available-for-sale investments	a	Available-for-sale	Designated at FVOCI
Murabaha time deposits	b	Held-to-maturity	Amortized cost
Accounts receivable	c	Loans and receivables	Amortized cost
Cash and cash equivalents	c	Loans and receivables	Amortized cost
Financial liabilities			
Accounts payable and accruals	d	Amortized cost	Amortized cost

The Group's accounting policies on the classification and measurement of financial instruments under IFRS 9 are set out above. The application of these policies resulted in the reclassifications set out in the table above and explained below:

- a) Under IAS 39, these equity investments were classified as available-for-sale. The Group has made an irrevocable election to present the changes in fair value of the equity investments in other comprehensive income.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Presentation of impairment (continuation)

- b) Murabaha time deposits that were previously classified as held-to-maturity are now classified at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- c) Accounts receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortized cost.
- d) There have been no change in the classification of accounts payable and accruals as amortized cost under IAS39 and IFRS 9

Foreign currencies

Transactions in currencies other than the Group's functional currency ("foreign currencies"), which is SR are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is;

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets that do not meet the above criteria, as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities that do not meet the above criteria, as non-current.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products.

General and administration expenses include direct and indirect costs not specifically part of cost of sales as required under IFRSs as endorsed in KSA. Allocations between general and administration expenses and cost of sales, when required, are made on a consistent basis.

Zakat

Zakat is calculated and provided for by Saudi Telecom Company (the "Parent Company") and its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Group's share of its provision is charged to the consolidated statement of profit and loss and other comprehensive income.

Dividends

The Company recognizes a liability to make dividend distribution to the Partners of Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the Partners. A corresponding amount is recognized directly in equity.

Employee benefits

End of service indemnities

The Group primarily has end of service indemnities which qualifies as defined benefit plans.

The pension liability recognized in the consolidated statement of financial position is the present value of the projected Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom of Saudi Arabia to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' related costs in the consolidated statement of profit or loss and other comprehensive income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (Continued)

End of service indemnities (continued)

Current and past service costs related to end of service indemnities and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Laws and Workmen Law as well as the Group's policy.

Retirement benefits

The Group pays retirement contributions for its national employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Appropriate provision is made for obsolete and slow moving inventories, if required.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, is amortized at a rate of 20% per annum.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated profit or loss when the asset is derecognized.

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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes, *inter alia*, the present value of decommissioning costs relating to leasehold improvements.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The Group applies the following annual rates of depreciation to its property and equipment:

Computer hardware	33%
Furniture	20%
Office equipment	17%
Leasehold improvements	Lower of the lease period or 20%
Motor vehicles	25%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

Costs incurred in respect of repairs and maintenance are expensed as incurred while expenditure for betterment is capitalized.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in the consolidated profit or loss in the period in which they become receivable.

4- Application of new and revised IFRSs AS ENDORSED IN KSA

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements for which the Group intends to adopt, when they become effective are disclosed below:

IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption of certain short-term leases and leases of low-value assets. Under IFRS 16, 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.

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2019, with earlier application permitted. Management is currently assessing the effect of this standard on the future financial reporting periods of the Group.

Management anticipates that this new standard will be adopted in the Group's consolidated financial statements for the year when they are applicable.

5- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

5- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

5.1 Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Determination of control

Subsidiary is an investee over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

5- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

5.2 Estimates and assumptions (continued)

Expected credit losses ("ECL")

The Group reviews its accounts receivable at each reporting date to assess whether an expected credit loss should be recorded in the consolidated statement of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of expected credit loss required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the actual loss. At the reporting date, gross trade receivables were SR 283.78 million (31 December 2017: SR 156.43 million and 1 January 2017: SR 195.26 million) with SR 54.42 million (31 December 2017: 56.55 million and 1 January 2017: 17.66 million) being provided for. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated profit or loss. In addition, an ECL of SR 55.65 million (31 December 2017: SR 45.32 million and 1 January 2017: SR 33.67 million) was raised against gross amounts owing from a related party of SR 1714.01 million (31 December 2017: SR 921.97 million and 1 January 2017: SR 992.37 million).

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant items of inventory this estimation is performed on an individual basis. Items of inventory which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices less estimated costs of sale.

At the reporting date, inventories were SR 168.16 million (31 December 2017: SR 103.69 million and 1 January 2017: SR 76.94 million), with provision for old and obsolete inventories amounting to SR 27.87 million (31 December 2017: SR 32.31 million and 1 January 2017: SR 25.74 million). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the consolidated profit or loss.

Long-term assumptions for employee benefits

Employees' end of service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Discounting of accounts receivable and accounts payable

The Group has discounted the future cash flows relating to a long-term payable and related receivable which arose in a previous period. Appropriate discount rate was used in determining the carrying amount of these items.

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5- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

5.2 Estimates and assumptions (continued)

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

6- REVENUE, NET

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

	31 December 2018 SR	31 December 2017 SR
System Integration	1,727,380,552	1,450,479,428
Communication & Internet	838,337,371	566,719,221
Outsourcing Services	690,221,286	616,592,865
Cyber Security	308,120,677	94,966,659
Cloud Services	269,913,321	94,177,995
Managed Services	163,442,837	106,564,374
Digital Services	43,883,050	32,761,217
	4,041,299,094	2,962,261,759
Type of customers		
Sell through stc and sell to direct customers (stc is not the end customer)	2,317,350,378	1,610,647,133
Sell to stc (stc is the end customer)	1,723,948,716	1,351,614,626
	4,041,299,094	2,962,261,759
Timing of revenue recognition		
Goods or services transferred to customers:		
- over time	3,897,237,652	2,861,926,809
- at a point in time	144,061,442	100,334,950
	4,041,299,094	2,962,261,759

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7- SELLING AND DISTRIBUTION EXPENSES

	31 December 2018 SR	31 December 2017 SR
Employees related costs	79,259,594	73,050,486
Advertising and marketing	29,409,276	9,420,212
Travel	3,374,597	2,296,950
Depreciation and amortization	732,067	701,830
Licenses and maintenance	146,023	646,057
Others	95,643	25,087
	113,017,200	86,140,622

8- GENERAL AND ADMINISTRATION EXPENSES

	31 December 2018 SR	31 December 2017 SR
Employees related costs	147,079,576	93,363,922
Consultancy fees	45,722,699	26,748,885
Licenses and maintenance	17,536,772	10,463,283
Depreciation and amortization	16,958,740	10,724,331
Rent	15,399,533	10,356,499
Travel	8,490,577	7,739,332
Office expenses	6,585,772	5,032,547
Corporate gatherings & social events	4,040,960	3,191,927
Professional fees	3,321,431	1,480,800
Utilities	1,084,315	1,305,598
Impairment of equity investment at FVOCI	-	1,000,000
(Reversal) / provision for advances and prepaid	(2,345,488)	29,155,467
Others	6,309,687	6,713,862
	270,184,574	207,276,453

9- OTHER INCOME

	31 December 2018 SR	31 December 2017 SR
Commission income	7,303,414	6,407,555
Impairment loss on property and equipment (note 20)	(1,328,425)	-
Others	-	150,000
	5,974,989	6,557,555

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10- FINANCE INCOME

	31 December 2018 SR	31 December 2017 SR
Murabaha time deposits (notes 12 & 13)	30,320,270	20,945,947
Others	-	2,903,912
	30,320,270	23,849,859

11- ZAKAT

The Group is effectively 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 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 year amounting to SR 51,831,227 (31 December 2017: SR 47,604,307) has been estimated based on the Group's zakat base and is charged to its consolidated statement of profit or loss and other comprehensive income. This estimation is adjusted proportionately by the consolidation impact, as applicable.

The movement in zakat provision was as follows:

	31 December 2018 SR	31 December 2017 SR
Opening balance	74,048,117	26,537,052
Charged during the year	51,831,227	47,604,307
Paid during the year	(26,828,840)	(93,242)
Closing balance	99,050,504	74,048,117

12- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances, cash in hand and investments that are readily convertible into known amounts of cash and have maturity of three months or less when placed. Cash and cash equivalents comprises of the following;

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash in hand	41,412	41,699	66,986
Bank balances	152,495,200	179,241,440	482,061,159
Murabaha time deposits	739,850,000	416,500,000	-
	892,386,612	595,783,139	482,128,145

13- MURABAHA TIME DEPOSITS

These represent the Murabaha deposits placed with various banks and carry a profit rate of 2.75% to 2.95% per annum. The maturity date for all these deposits are more than 90 days when placed.

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14- ACCOUNTS RECEIVABLE

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Gross trade receivables (excluding related party balance)	283,786,411	156,426,930	195,263,646
Less: allowance for expected credit losses	(54,418,689)	(56,555,880)	(17,664,906)
Net trade receivables	229,367,722	99,871,050	177,598,740
Gross amounts due from a related party (note 30)	1,714,009,468	921,965,905	992,373,815
Less: allowance for discount (related party) (note 30)	(58,615,538)	-	-
Less: allowance for expected credit losses (related party)	(55,654,192)	(45,317,572)	(33,677,953)
Net amounts due from a related party	1,599,739,738	876,648,333	958,695,862
Total accounts receivable	1,829,107,460	976,519,383	1,136,294,602

Trade receivables

The average credit period on sales of goods and services is 60 days. No finance income is charged on trade receivables. Allowances for doubtful debts are recognized against trade receivables between three months and one year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year. 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 company/individual for segmentation. Private customers are assessed for impairment on a collective basis. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

One of the Group's debtors comprise 10% of the total trade receivables balance excluding related party balance. There are no other customers who comprise more than 10% of the total trade receivables balance excluding related party balance.

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

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14- ACCOUNTS RECEIVABLE (continued)

Movement in the allowance for expected credit losses and penalties related to trade receivables

	31 December 2018 SR	31 December 2017 SR
Opening balance	56,555,880	17,664,906
(Reversal)/charge for the year (note 29)	(5,954,241)	37,149,452
Penalties charge for the year (*)	3,817,050	1,741,522
Closing balance	54,418,689	56,555,880

(*)Penalties are charged against revenue.

The movements in the allowance for expected credit losses and penalties related to amounts due from the Parent Company were as follows:

	31 December 2018 SR	31 December 2017 SR
Opening balance	45,317,572	33,677,953
Charge for the year (note 29)	1,589,494	11,639,619
Penalties charge for the year (*)	8,747,126	-
Closing balance	55,654,192	45,317,572

(*)Penalties are charged against revenue.

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14- ACCOUNTS RECEIVABLE (continued)

Movement in the allowance for expected credit losses and penalties related to trade receivables (continued)

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. The Group does not hold any collateral over the impaired trade receivables.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Non-governmental receivables			
Up to 3 months	32,642,217	17,529,942	18,591,281
More than 3 to 6 months	17,085,050	2,639,204	3,554,738
More than 6 to 9 months	322,513	1,074,957	2,520,453
More than 9 months to 1 year	223,848	940,466	1,960,857
Over 1 year	7,300,876	6,489,917	21,464,950
Governmental receivables			
Neither past due nor impaired	127,046,263	17,772,603	12,046,202
Up to 1 year	21,147,008	20,167,141	62,489,563
More than 1 to 3 year	11,672,650	27,300,555	49,988,189
More than 3 to 5 year	11,070,264	5,349,847	4,681,393
Over 5 year	857,033	606,418	301,114
Total unimpaired trade receivables	229,367,722	99,871,050	177,598,740
Age of impaired trade receivables			
Non-governmental receivables			
Up to 3 months	6,148,323	2,798,463	658,719
More than 3 to 6 months	6,985,778	1,097,586	311,243
More than 6 to 9 months	330,851	1,287,629	389,547
More than 9 months to 1 year	694,830	3,156,632	479,143
Over 1 year	22,662,099	21,783,117	5,245,049
Governmental receivables			
Up to 1 year	1,768,763	25,667	75,486
More than 1 to 3 year	2,441,156	21,581,736	6,340,261
More than 3 to 5 year	8,996,665	915,991	1,404,819
Over 5 year	4,390,224	3,909,059	2,760,639
Total impaired trade receivables	54,418,689	56,555,880	17,664,906

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15- PREPAYMENTS AND OTHER ASSETS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Advances to suppliers (note 15.1)	141,676,771	61,773,164	182,136,277
Prepaid expenses (note 15.2)	65,802,318	38,903,377	25,158,713
Value added tax recoverable (note 30)	62,382,561	-	-
Other receivables	28,702,977	15,952,773	10,505,815
Deposits	2,522,359	1,671,371	3,071,317
Deferred costs	-	17,271,193	176,111,844
	301,086,986	135,571,878	396,983,966

15.1 Advances to suppliers are presented net of provision for old advances (note 8) amounting to SR 7.17 million (31 December 2017: SR 9.51 million and 1 January 2017: SR 3.32 million).

15.2 Prepaid expenses are presented net of provision for certain doubtful prepaid assets (note 8) amounting to SR 32.95 million (31 December 2017: SR 32.95 million and 1 January 2017: SR 9.99 million).

16- CONTRACT ASSETS

Contract assets represents the value of work executed by the Group during the year which has not been billed to customers as at the reporting date.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Gross contract assets	926,090,181	855,715,050	587,055,585
Provision for discount	(41,384,462)	-	-
Allowance for impairment	(16,748,070)	(2,862,099)	(454,978)
	867,957,649	852,852,951	586,600,607

The movement in the allowance for impairment related to contract assets for the year ended 31 December were as follows:

	31 December 2018 SR	31 December 2017 SR
Opening balance	2,862,099	454,978
Charge for the year (note 29)	13,885,971	2,407,121
Closing balance	16,748,070	2,862,099

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17- INVENTORIES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Materials and supplies	168,165,631	103,687,202	76,940,341
Less: allowance for slow moving and obsolete inventory (note 17.1)	(27,868,698)	(32,311,365)	(25,741,688)
	140,296,933	71,375,837	51,198,653

17.1 The movement in the allowance for slow moving and obsolete inventories was as follows:

	31 December 2018 SR	31 December 2017 SR
Opening balance	32,311,365	25,741,688
Net (reversal) / charge for the year	(4,442,667)	6,569,677
Closing balance	27,868,698	32,311,365

18- EQUITY INVESTMENTS AT 'FVOCI'

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
5% holding in Saudi Telecom Investment Trading Company Limited (engaged in telecommunications services) (note 18.1)	50,000	50,000	50,000
1% holding in Sapphire Company (engaged in IT services) (note 18.2)	-	-	1,000,000
	50,000	50,000	1,050,000

18.1 This investment is carried at cost, as the fair value cannot be reliably determined.

18.2 Sapphire Company was established in the Kingdom of Saudi Arabia in June 2014. In November 2017, the Board of Directors of its parent company decided to close Sapphire and merge their business with their own share effective 1 January 2018. The legal proceedings are still in progress. Accordingly, the Group has recognized 100% impairment on this investment (note 8).

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19- INTANGIBLE ASSETS

COST	Software	Capital work in progress	Total
	SR	SR	SR
As at 1 January 2017	17,581,428	5,622,267	23,203,695
Additions	9,756,646	20,320,739	30,077,385
Transfer	24,891,496	(24,891,496)	-
As at 31 December 2017	52,229,570	1,051,510	53,281,080
Additions	7,099,601	35,790,879	42,890,480
Transfer	22,701,040	(22,701,040)	-
As at 31 December 2018	82,030,211	14,141,349	96,171,560
ACCUMULATED AMORTIZATION			
As at 1 January 2017	13,047,804	-	13,047,804
Amortization	5,955,361	-	5,955,361
As at 31 December 2017	19,003,165	-	19,003,165
Amortization	12,964,461	-	12,964,461
As at 31 December 2018	31,967,626	-	31,967,626
NET BOOK VALUE			
At 1 January 2017	4,533,624	5,622,267	10,155,891
At 31 December 2017	33,226,405	1,051,510	34,277,915
At 31 December 2018	50,062,585	14,141,349	64,203,934

The amortization charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2018 SR	31 December 2017 SR
Cost of revenue	5,943,377	2,409,323
Selling and distribution expenses (note 7)	461	27,929
General and administration expenses (note 8)	7,020,623	3,518,109
	12,964,461	5,955,361

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20- PROPERTY, PLANT AND EQUIPMENT

COST	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work in progress	Total
	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2017	60,739,539	23,446,093	11,152,786	424,000	14,585,950	110,348,368
Additions	7,911,116	345,896	1,145,984	-	15,024,040	24,427,036
Transfer	11,760,640	289,034	2,624,717	-	(14,674,391)	-
Balance as at 31 December 2017	80,411,295	24,081,023	14,923,487	424,000	14,935,599	134,775,404
Additions	9,407,034	1,999,512	7,655,179	821,825	70,565,639	90,449,189
Transfer	42,264,575	11,381,540	17,778,062	-	(71,424,177)	-
Balance as at 31 December 2018	132,082,904	37,462,075	40,356,728	1,245,825	14,077,061	225,224,593
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January 2017	53,095,708	19,226,600	8,399,656	212,000	-	80,933,964
Depreciation charge	7,920,666	2,495,672	1,736,422	106,000	-	12,258,760
Balance as at 31 December 2017	61,016,374	21,722,272	10,136,078	318,000	-	93,192,724
Depreciation and impairment charge	21,852,484	3,599,222	4,383,803	194,327	-	30,029,836
Balance as at 31 December 2018	82,868,858	25,321,494	14,519,881	512,327	-	123,222,560
NET BOOK VALUE						
At 1 January 2017	7,643,831	4,219,493	2,753,130	212,000	14,585,950	29,414,404
As at 31 December 2017	19,394,921	2,358,751	4,787,409	106,000	14,935,599	41,582,680
At 31 December 2018	49,214,046	12,140,581	25,836,847	733,498	14,077,061	102,002,033

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20- PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation and impairment charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2018 SR	31 December 2017 SR
Cost of revenue	18,031,688	4,778,749
Selling and distribution expenses (note 7)	731,606	400,874
General and administration expenses (note 8)	9,938,117	7,079,137
Other income (note 9)	1,328,425	-
	30,029,836	12,258,760

21- ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Trade payables (note 21.1)	595,519,245	340,086,971	483,250,349
Accrued project costs (note 21.2)	362,951,476	307,707,327	450,605,963
Accrued expenses	230,212,915	160,181,681	104,233,621
Amounts due to a related party (note 30)	45,442,400	3,834,539	89,555,670
Withholding tax provision	2,041,490	3,516,968	10,000,000
	1,236,167,526	815,327,486	1,137,645,603

- 21.1 No commission is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
- 21.2 This includes a provision amounting to SR 12.93 million (31 December 2017: SR 21.27 million and 1 January 2017: SR 25.89) for estimated future contract losses which arose due to an increase in the estimated cost to complete. This amount has been charged to cost of revenue in the consolidated statement of profit or loss and other comprehensive income.

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21- ACCOUNTS PAYABLE AND ACCRUALS (continued)

During the year ended 31 December 2018, there have been reversals amounting to SR 29.99 million (31 December 2017: SR 107.10 million) relating to accrued project costs, which have been charged to cost of revenue. These reversals are primarily driven from the difference between the estimated project accruals carried in the books and the actual cost incurred or expected to be incurred upon completion. These differences arose mainly due to certain contract information updates relating to project accruals and due to recent enhancement made to the estimation process set up within the Group. These are considered as change in estimates and have been charged to the consolidated statement of profit or loss and other comprehensive income in the current year.

22- DEFERRED REVENUE

This represents billings issued to customers in excess of the value of work executed by the Group as per the terms of billings in the contract agreement with the customers as of the reporting date.

23- CONTRACT LIABILITIES

Contract liabilities represent amounts received from the Group's customers which will be applied against future billings. The movement in the contract liabilities for the year ended 31 December was as follows:

	31 December 2018 SR	31 December 2017 SR
Opening balance	647,538,907	609,624,310
Addition of contract liabilities	672,563,764	1,213,148,175
(Less) Applied against billings	(984,326,968)	(1,175,233,578)
Closing balance	335,775,703	647,538,907

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24- END OF SERVICE INDEMNITIES

	31 December 2018 SR	1 December 2017 SR	1 January 2017 SR
Defined benefit obligation (DBO)	125,754,092	92,250,000	68,348,000

The Group grants end of service indemnities (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end of service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within consolidated OCI under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity.

The following table represents the movement of the DBO:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Opening balance	92,250,000	68,348,000	55,500,000
Expected service cost	48,095,092	41,384,000	24,910,000
Finance cost	4,711,000	4,076,000	2,976,000
Total amount recognized in profit or loss	52,806,092	45,460,000	27,886,000
Re-measurements:			
Losses/(gains) from change in financial assumptions	4,878,000	3,605,000	(3,538,000)
Experience gains	(15,668,000)	(15,005,000)	(4,854,000)
Amount recognized in OCI	(10,790,000)	(11,400,000)	(8,392,000)
Payments	(8,512,000)	(10,158,000)	(6,646,000)
Closing balance	125,754,092	92,250,000	68,348,000

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24- END OF SERVICE INDEMNITIES (continued)

Significant actuarial assumptions

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2018	31 December 2017	1 January 2017
Attrition rates	15%	15%	15%
Salary escalation rate	5.6%	5.5% for FY 2018 and thereafter 5% for each future year	5%
Discount rate	4.8%	4.6%	5%
Retirement age	65	65	65

Sensitivity analysis

The results are sensitive to the assumptions used. The table below shows the change in DBO based on increase or decrease in the base assumption value as of 31 December 2018:

	Change in Assumption	Base value	Impact on defined benefit obligation	
			Increase in assumption	Decrease in assumption
			SR	SR
Discount rate	1%	(125,754,092)	(114,037,915)	(139,479,915)
Attrition rate	20%	(125,754,092)	(121,881,915)	(130,094,915)
Salary escalation rate	1%	(125,754,092)	(139,228,915)	(114,017,915)

25- SHARE CAPITAL

	31 December 2018
10,000,000 ordinary shares of SR10 each	100,000,000

26- STATUTORY RESERVE

In accordance with Companies law and the Company's Articles of Association, the Company must transfer 10% of its income for the year to the statutory reserve. In accordance with Company's Articles of Association, the Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. This having been achieved, the Company has elected not to transfer any additional amount to reserve. The reserve is not available for distribution.

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27- DIVIDENDS

The Company's partners in their meeting held on 20 Jumad Awal 1439H (corresponding to 6 February 2018) resolved to distribute dividends amounting to SR 30 per share aggregating to SR 300,000,000.

28- 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:

31 December 2018			
Financial assets	Category of financial assets	Carrying amount	Fair value level
Cash and cash equivalents	Amortized Cost	892,386,612	N/A
Accounts and other receivables	Amortized Cost	3,021,073,006	N/A
Equity Investments at FVOCI	FVOCI	50,000	Level 3
Financial liabilities			
Trade and other payables	Amortized Cost	1,236,167,526	N/A

31 December 2017			
Financial assets	Category of financial assets	Carrying amount	Fair value level
Cash and cash equivalents	Amortized Cost	595,783,139	N/A
Accounts and other receivables	Amortized Cost	2,664,267,671	N/A
Equity Investments at FVOCI	FVOCI	50,000	Level 3
Financial liabilities			
Trade and other payables	Amortized Cost	815,327,486	N/A

1 January 2017			
Financial assets	Category of financial assets	Carrying amount	Fair value level
Cash and cash equivalents	Amortized Cost	482,128,145	N/A
Accounts and other receivables	Amortized Cost	2,212,584,185	N/A
Equity Investments at FVOCI	FVOCI	1,050,000	Level 3
Financial liabilities			
Trade and other payables	Amortized Cost	1,137,645,603	N/A

The amounts for receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk at the reporting date.

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28- FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

The directors consider that the carrying value of the financial instruments reported in the consolidated statement of financial position approximates their fair value, with the exception of the available-for-sale investment for which the fair value cannot be accurately determined.

29- FINANCIAL RISK AND CAPITAL MANAGEMENT

Market risk

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

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

31 December 2018	Profit rate	Within one year	One year to five years	Total
	%	SR	SR	SR
Accounts payable	Profit free	1,236,167,526	-	1,236,167,526
Total		1,236,167,526	-	1,236,167,526

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29- FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Profit and liquidity rate risk management (continued)

31 December 2017	Profit rate	Within one year	One year to five years	Total
	%	SR	SR	SR
Accounts payable	Profit free	815,327,486	-	815,327,486
Total		815,327,486	-	815,327,486

1 January 2017	Profit rate	Within one year	One year to five years	Total
	%	SR	SR	SR
Accounts payable	Profit free	963,786,606	-	963,786,606
Accounts payable	5	173,858,997	-	173,858,997
Total		1,137,645,603	-	1,137,645,603

Credit risk management

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, and 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:

	31 December 2018 SR	31 December 2017 SR
(Reversal) / charge of Impairment loss on accounts receivable (note 14)	(4,364,747)	48,789,072
Impairment loss on contract assets (note 16)	13,885,971	2,407,121
Total	9,521,224	51,196,193

Expected credit loss assessment for private customers

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivables. The Group uses a provision matrix to measure the ECLs of trade receivables from private customers.

Loss rates are calculated using a 'roll rate' / 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates / flow rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

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29- FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Expected credit loss assessment for private customers (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from private customers as at 31 December 2018:

31 December 2018	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	122,248,688	13.70%	16,748,070
0-90 days	38,816,898	15.84%	6,148,597
91-180 days	24,070,827	29.02%	6,985,354
181 - 270 Days	613,456	53.93%	330,837
271 - 365 Days	918,679	75.63%	694,797
More than 1 year	29,962,976	75.63%	22,660,999
	216,631,524		53,568,654

Expected credit loss assessment for Government Receivables and stc

A Committee estimates the impairment loss and estimates and recommends receivables to be written-off from Government and stc /STCS Affiliates customers. The Committee's role includes a review of the status of balances written-off by Accounts Receivable Department for Government & stc/STCS Affiliates according to the procedures related to the policy and aging reports and any other information or data requested by the Committee.

The Accounts Receivable section in the Financial Accounting & Reporting Department calculates and records the impairment loss at the end of each quarter based on the Committee's estimate for Government & stc/STCS Affiliates Customers. The Committee meets in the first week after the end of each quarter in order to evaluate and determine the impairment loss for Government & stc /STCS Affiliates entities.

For contract assets, the average default rate for the last three years is calculated by dividing the amounts written-off during the period (each year) by the value of outstanding balances of contract assets at the end of the period. This rate is multiplied by the contract assets during the period in order to reach the balance of provision of contract assets, if required.

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, the statutory reserve and retained earnings.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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30- RELATED PARTY INFORMATION

Related parties comprise of partners, key management personnel, directors and businesses which are controlled directly or indirectly or influenced by the partners, 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 Company's management or its Board of Directors.

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

During the year, the Group entered into the following transactions with its related party:

	31 December 2018 SR	31 December 2017 SR
Sales of goods and services to stc (a)	3,415,530,073	2,679,067,222
Purchases from stc	81,398,799	28,843,192

a) Sale of goods and services to stc include an amount of SR 1,691,581,357 (31 December 2017: SR 1,327,452,596) for which stc is not the end customer.

The following balances were outstanding with stc at the reporting date:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Gross amounts due from a related party (note 14)	1,714,009,468	921,965,905	992,373,815
Contract assets	696,570,430	820,792,507	523,955,410
Value added tax recoverable (note 15)	62,382,561	-	-
Amounts due to a related party	(45,442,400)	(3,834,539)	(89,555,670)
Provision for doubtful debts (stc)	(55,654,192)	(45,317,572)	(33,677,953)
Provision for discount on accounts receivables and contract assets (*)	(100,000,000)	-	-
Deferred revenue (stc)	(929,940,946)	(439,416,236)	(259,567,347)
Net advances from customer (stc)	(267,384,998)	(501,690,132)	(500,820,497)

(*)The discount amount is considered preliminary and it's subject to mutual agreement between the Group and related party.

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

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30- RELATED PARTY INFORMATION (continued)

Age of unimpaired amounts due from a related party

			Past due but not impaired			
	Total	Neither past due nor impaired	Up to 1 year	More than 1 - 3 years	More than 3 - 5 years	More than 5 years
	SR	SR	SR	SR	SR	SR
31 December 2018	1,658,355,276	946,858,183	570,343,121	20,882,669	117,863,422	2,407,881
31 December 2017	876,648,333	473,619,661	286,206,227	114,690,196	2,132,249	-
1 January 2017	958,695,863	353,695,478	476,996,798	125,184,775	2,818,812	-

The following compensation was paid to key management personnel during the year:

	31 December 2018 SR	31 December 2017 SR
Short-term benefits	25,512,987	18,614,758
Post-employment benefits	1,029,060	-
	26,542,047	18,614,758

31- OPERATING LEASE ARRANGEMENTS

The estimated operating lease commitments for next year at the reporting date amounted to SR 16,871,754.

The Group incurred the following operating lease expenditure during the year:

	31 December 2018 SR	31 December 2017 SR
Premises (note 8)	15,399,533	10,356,499
Vehicles	1,472,221	747,775
	16,871,754	11,104,274

32- CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

33- GOVERNMENT GRANTS RECEIVED

The Group received total government grant income during the year SR 10.38 million (31 December 2017: SR 11.54 million). This amount was included in net profit for the year and set off against expenditure.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9

34.1 Effect of IFRS 15 and 9 on the statement of financial position as at 1 January 2017

	Notes	Amounts previously reported SR	Reclassifications SR	IFRS 15 adjustments SR	IFRS 9 adjustments SR	Restated balances SR
ASSETS						
Current assets						
Cash and bank balances		482,128,145	-	-	-	482,128,145
Murabaha time deposits		300,000,000	-	-	-	300,000,000
Work-in-progress	a	277,326,747	(57,630,187)	(219,696,560)	-	-
Accounts receivable	b	1,066,393,640	1,903,685	-	67,997,277	1,136,294,602
Prepayments and other assets		396,983,966	-	-	-	396,983,966
Unbilled revenue	c	502,409,288	(502,409,288)	-	-	-
Contract assets	c	-	502,409,288	84,646,297	(454,978)	586,600,607
Inventories	d	43,447,856	7,750,797	-	-	51,198,653
Total current assets		3,068,689,642	(47,975,705)	(135,050,263)	67,542,299	2,953,205,973
Non-current assets						
Available-for-sale investments	e	1,050,000	(1,050,000)	-	-	-
Investments at FVOCI	e	-	1,050,000	-	-	1,050,000
Intangible assets		10,155,891	-	-	-	10,155,891
Property and equipment		29,414,404	-	-	-	29,414,404
Total non-current assets		40,620,295	-	-	-	40,620,295
TOTAL ASSETS		3,109,309,937	(47,975,705)	(135,050,263)	67,542,299	2,993,826,268

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.1 Effect of IFRS 15 and 9 on the statement of financial position as at 1 January 2017 (continued)

	Notes	Amounts previously reported SR	Reclassifications SR	IFRS 15 adjustments SR	IFRS 9 adjustments SR	Restated balances SR
LIABILITIES AND EQUITY						
LIABILITIES						
Current liabilities						
Accounts payable and accruals	f	1,147,098,602	(9,452,999)	-	-	1,137,645,603
Deferred revenue	g	418,753,314	(38,522,706)	(65,428,575)	-	314,802,033
Advances from customers	c	609,624,310	(609,624,310)	-	-	-
Contract liabilities	c	-	609,624,310	-	-	609,624,310
Zakat payable		26,537,052	-	-	-	26,537,052
Total current liabilities		2,202,013,278	(47,975,705)	(65,428,575)	-	2,088,608,998
Non-current liability						
End of service indemnities		68,348,000	-	-	-	68,348,000
Total non-current liability		68,348,000	-	-	-	68,348,000
TOTAL LIABILITIES		2,270,361,278	(47,975,705)	(65,428,575)	-	2,156,956,998
EQUITY						
Share capital		100,000,000	-	-	-	100,000,000
Statutory reserve		50,000,000	-	-	-	50,000,000
Retained earnings		688,948,659	-	(69,621,688)	67,542,299	686,869,270
Total equity	34.2	838,948,659	-	(69,621,688)	67,542,299	836,869,270
TOTAL LIABILITIES AND EQUITY		3,109,309,937	(47,975,705)	(135,050,263)	67,542,299	2,993,826,268

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.2 Reconciliation of equity as at 1 January 2017

	Notes	As at 1 January 2017 SR
Total equity before adoption of IFRS 15 and 9		838,948,659
Impact on work-in-progress	a	(219,696,560)
Impact on contract assets	c	84,646,297
Impact on deferred revenue	g	65,428,575
Impact for expected credit losses on accounts receivable	b	67,997,277
Impact for expected credit losses on contract assets	c	(454,978)
Total adjustment to equity		(2,079,389)
Total equity after adoption of IFRS 15 and 9		836,869,270

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.3 Effect of IFRS 15 and 9 adoption on the statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Notes	Amounts previously reported (*)	Reclassifications	IFRS 15 adjustments	IFRS 9 adjustments	Restated balances
		SR	SR	SR	SR	SR
Revenue	h	3,116,620,399	-	(154,358,640)	-	2,962,261,759
Cost of revenue	a	(2,163,903,680)	-	116,294,496	-	(2,047,609,184)
Gross profit		952,716,719	-	(38,064,144)	-	914,652,575
Selling and distribution expenses	i	(108,414,702)	22,274,080	-	-	(86,140,622)
General and administration expenses		(207,276,453)	-	-	-	(207,276,453)
Impairment of accounts receivable and contract assets	i	-	(22,274,080)	-	(28,922,113)	(51,196,193)
Foreign exchange loss		(451,391)	-	-	-	(451,391)
Other income		6,557,555	-	-	-	6,557,555
Net profit before net finance income and zakat		643,131,728	-	(38,064,144)	(28,922,113)	576,145,471
Finance income		23,849,859	-	-	-	23,849,859
Finance charges		(2,529,141)	-	-	-	(2,529,141)
Net profit before zakat		664,452,446	-	(38,064,144)	(28,922,113)	597,466,189
Zakat		(47,604,307)	-	-	-	(47,604,307)
Net profit for the period		616,848,139	-	(38,064,144)	(28,922,113)	549,861,882
Other comprehensive income						
Item that will not be reclassified subsequently to profit or loss:						
Remeasurement of end of service indemnities liability		11,400,000	-	-	-	11,400,000
Total comprehensive income for the period		628,248,139	-	(38,064,144)	(28,922,113)	561,261,882

(*) There have been certain reclassifications made in these financial statements to conform with the presentation of the Company's financial statements based on current period.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.4 Effect of IFRS 15 and 9 on the consolidated statement of financial position as at 31 December 2017:

	Notes	Amounts previously reported SR	Reclassifications SR	IFRS 15 adjustments SR	IFRS 9 adjustments SR	Restated balances SR
ASSETS						
Current assets						
Cash and bank balances		595,783,139	-	-	-	595,783,139
Murabaha time deposits		800,000,000	-	-	-	800,000,000
Work-in-progress	a	112,185,877	(29,837,131)	(82,348,746)	-	-
Accounts receivable	b	933,419,975	1,617,122	-	41,482,286	976,519,383
Prepayments and other assets		135,571,878	-	-	-	135,571,878
Unbilled revenue	c	812,816,518	(812,816,518)	-	-	-
Contract assets	c	-	812,816,518	42,898,532	(2,862,099)	852,852,951
Inventories	d	59,755,673	11,620,164	-	-	71,375,837
Total current assets		3,449,533,060	(16,599,845)	(39,450,214)	38,620,187	3,432,103,188
Non-current assets						
Available-for-sale investments	e	50,000	(50,000)	-	-	-
Investments at FVOCI	e	-	50,000	-	-	50,000
Intangible assets		34,277,915	-	-	-	34,277,915
Property and equipment		41,582,680	-	-	-	41,582,680
Total non-current assets		75,910,595	-	-	-	75,910,595
TOTAL ASSETS		3,525,443,655	(16,599,845)	(39,450,214)	38,620,187	3,508,013,783

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.4 Effect of IFRS 15 and 9 on the consolidated statement of financial position as at 31 December 2017: (continued)

	Notes	Amounts previously reported SR	Reclassifications SR	IFRS 15 adjustments SR	IFRS 9 adjustments SR	Restated balances SR
LIABILITIES AND EQUITY						
LIABILITIES						
Current liabilities						
Accounts payable and accruals	f	815,678,458	(5,735,048)	5,384,076	-	815,327,486
Deferred revenue	g	428,731,375	(10,864,797)	62,851,543	-	480,718,121
Advances from customers	c	647,538,907	(647,538,907)	-	-	-
Contract liabilities	c	-	647,538,907	-	-	647,538,907
Zakat payable		74,048,117	-	-	-	74,048,117
Total current liabilities		1,965,996,857	(16,599,845)	68,235,619	-	2,017,632,631
Non-current liability						
End of service indemnities		92,250,000	-	-	-	92,250,000
TOTAL LIABILITIES		2,058,246,857	(16,599,845)	68,235,619	-	2,109,882,631
EQUITY						
Share capital		100,000,000	-	-	-	100,000,000
Statutory reserve		50,000,000	-	-	-	50,000,000
Retained earnings		1,317,196,798	-	(107,685,833)	38,620,187	1,248,131,152
Total equity	34.5	1,467,196,798	-	(107,685,833)	38,620,187	1,398,131,152
TOTAL LIABILITIES AND EQUITY		3,525,443,655	(16,599,845)	(39,450,214)	38,620,187	3,508,013,783

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.4 Effect of IFRS 15 and 9 on the consolidated statement of financial position as at 31 December 2017: (continued)

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.5 Reconciliation of equity as at 31 December 2017

	Notes	As at 31 December 2017 SR
Total equity before adoption of IFRS 15 and 9		1,467,196,798
Impact on work-in-progress	a	(82,348,746)
Impact on contract assets	c	42,898,532
Impact on accounts payable and accruals	f	(5,384,076)
Impact on deferred revenue	g	(62,851,543)
Impact for expected credit losses on accounts receivable	b	41,482,286
Impact for expected credit losses on contract assets	c	(2,862,099)
Total adjustment to equity		(69,065,646)
Total equity after adoption of IFRS 15 and 9		1,398,131,152

34.6 Notes to the reconciliations

- a) Work-in-progress for an over-time performance obligation is generally expensed when it is incurred rather than deferred as an asset. According to IFRS 15, the criteria of control transfer (such as ability to direct the use of, obtain remaining benefits from, prevent others from directing the use of, and prevent others from obtaining the benefits from the asset) in addition to certain indicators (such as present obligation to pay, physical possession, legal title, risks and rewards of ownership and acceptance of the asset) triggers transfer of control upon delivery to customer site. Hence, a major part of the work-in-progress is expensed after the application of IFRS 15. However, inventory to support multiple contracts that has an alternative use is recognized as an asset (i.e. inventory) until it is dedicated to a specific contract. In addition, certain work-in-progress balances were classified and closed against accruals. During the three months and twelve months ended December 31, 2017, certain work-in-progress amounts expensed in earlier periods due to IFRS 15 adoption that were also expensed during the same periods under the previous IFRS, were credited to cost of sales.
- b) This represents the impact of change in allowances for expected credit losses resulting from the application of IFRS 9. This resulted in decrease in allowances related to accounts receivable of amount SR 41,482,286 as at 31 December 2017. In addition, expected penalties were reclassified to deferred revenue amounting to SR 1,617,122 as at 31 December 2017.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.6 Notes to the reconciliations (continued)

- c) Unbilled revenue and advance from customers has been reclassified to contract assets and liabilities respectively as at 31 December 2017. The application of IFRS 15 has resulted in increase of contract assets by SR 42,898,532 as at 31 December 2017. Furthermore, the expected credit loss calculated on contract assets as per IFRS 9 has decreased the contract assets by SR 2,862,099 as at 31 December 2017.
- The combined net impact of contract assets and deferred revenue (see point "g") as a result of IFRS 15 application is decrease of retained earnings by SR 19,953,011 as of 31 December 2017. The main cause for decrease of retained earning as of 31 December 2017 from contract assets and deferred revenue is applying uninstalled material guidance on System Integration stream (see note 2) and the fact that percentage of completion of installation activity being less than the percentage of completion of the project as a bundle (as treated under the previous standard IAS 11) for majority of projects. Furthermore, activation fees under cloud stream were deferred rather than being recognized upfront due to application of IFRS 15 (see note 2) which resulted in decrease of retained earnings by SR 1.26 million as of 31 December 2017.
- d) This represents the certain amounts transferred to inventory from work-in-progress. Refer to note (a) above.
- e) The application of IFRS 9 has led to reclassification of equity investments from available-for-sale to FVOCI. There was no re-measurement adjustment related to this.
- f) Certain reclassifications were made between accruals and work-in-progress. In addition, due to IFRS 15 impact on cloud revenue, certain costs and revenue relating specially to CSPs were recognized earlier which resulted in increase in accruals by SR 5,384,076 as at 31 December 2017. Please refer to note (h).
- g) The application of IFRS 15 has resulted in increase of deferred revenue by SR 62,851,543 as at 31 December 2017. See note (c) for the combined net impact of contract assets and deferred revenue on retained earnings. Also, certain reclassifications were made between deferred revenue and work-in-progress.
- h) The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out in note 2. The main reasons for the negative adjustment is described in point (c) above as applicable on 31 December 2017 balances which are applicable on 31 December 2017 balances. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group has adopted the new revenue rules retrospectively and has restated comparative financial statements.
- i) This represents the reclassification of previous impairment charged in selling and distribution expenses separately in the statement of profit and loss as per IAS 1, Presentation of Financial Statements due to the application of IFRS 9. In addition, as explained in notes (b) and (c), there was a change in allowances for expected credit losses on receivables and contract assets due to the application of IFRS 9.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2018

34- IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (continued)

34.7 Effect on the statement of cash flows

There have been no material impacts of adoption of IFRS 15 and IFRS 9 on the cash flow statements for the year ended 31 December 2017

35- EVENTS AFTER THE REPORTING DATE

No other events have arisen subsequent to 31 December 2018 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2018

36- CONTINGENT LIABILITIES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Letters of guarantee – issued through stc on behalf of the Group	111,030,251	118,865,644	43,967,514
Letters of credit – issued through bank	-	-	174,250,560

37- COMPARATIVE FIGURES

Certain of the prior year's amounts have been reclassified to conform with the presentation in the current year.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



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INDEPENDENT AUDITOR'S REPORT

To the Partners of Arabian Internet and Communication Services Company
(A Limited Liability Company)

Opinion

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, and the, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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INDEPENDENT AUDITOR'S REPORT

To the Partners of Arabian Internet and Communication Services Company
(A Limited Liability Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT
To the Partners of Arabian Internet and Communication Services Company
(A Limited Liability Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. (427)

Riyadh: 30 Sha'ban 1441H
(23 April 2020)



Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 SR	2018 SR
Revenue, net	5	5,257,296,303	4,041,299,094
Cost of revenue		(4,410,051,699)	(3,076,251,709)
GROSS PROFIT		847,244,604	965,047,385
Selling and distribution expenses	6	(157,595,638)	(113,017,200)
General and administration expenses	7	(350,146,210)	(270,184,574)
Impairment of accounts receivable and contract assets	30	8,525,623	(9,521,224)
Other income	8	2,140,931	5,641,994
Profit from sale of a subsidiary	1	71,991,722	-
NET PROFIT BEFORE FINANCE INCOME AND ZAKAT		422,161,032	577,966,381
Finance income, net	9	12,597,733	30,320,270
NET PROFIT BEFORE ZAKAT		434,758,765	608,286,651
Zakat	10	(40,933,271)	(51,831,227)
NET PROFIT FOR THE YEAR		393,825,494	556,455,424
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to consolidated profit or loss:			
Remeasurement of end of service indemnities	25	(2,378,000)	10,790,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		391,447,494	567,245,424

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	31 December 2019 SR	31 December 2018 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	414,280,958	892,386,612
Murabaha time deposits	12	-	230,400,000
Accounts receivable	13	2,634,928,374	1,829,107,460
Prepayments and other assets	14	156,956,263	301,086,986
Contract assets	15	1,166,419,725	867,957,649
Inventories	16	150,654,462	140,296,933
TOTAL CURRENT ASSETS		4,523,239,782	4,261,235,640
NON-CURRENT ASSETS			
Contract costs		6,216,851	22,557,665
Equity investments at fair value through other comprehensive income	17	50,000	50,000
Intangible assets	18	103,750,273	64,203,934
Property and equipment	19	166,715,260	102,002,033
Right-of-use assets	20	77,415,701	-
TOTAL NON-CURRENT ASSETS		354,148,085	188,813,632
TOTAL ASSETS		4,877,387,867	4,450,049,272
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	21	1,458,274,778	1,236,167,526
Deferred revenue	22	1,426,625,548	987,924,871
Contract liabilities	23	452,253,507	335,775,703
Zakat payable	10	40,113,984	99,050,504
TOTAL CURRENT LIABILITIES		3,377,267,817	2,658,918,604

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Notes	31 December 2019 SR	31 December 2018 SR
NON-CURRENT LIABILITIES			
Lease liabilities relating to right of use assets	24	54,157,328	-
End of service indemnities	25	189,138,652	125,754,092
TOTAL NON-CURRENT LIABILITIES		243,295,980	125,754,092
TOTAL LIABILITIES		3,620,563,797	2,784,672,696
EQUITY			
Share capital	26	100,000,000	100,000,000
Statutory reserve	27	50,000,000	50,000,000
Retained earnings		1,106,824,070	1,515,376,576
TOTAL EQUITY		1,256,824,070	1,665,376,576
TOTAL LIABILITIES AND EQUITY		4,877,387,867	4,450,049,272

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
Balance as at 1 January 2018	100,000,000	50,000,000	1,248,131,152	1,398,131,152
Total comprehensive income for the year	-	-	567,245,424	567,245,424
Dividends	-	-	(300,000,000)	(300,000,000)
Balance as at 31 December 2018	100,000,000	50,000,000	1,515,376,576	1,665,376,576
Total comprehensive income for the year	-	-	391,447,494	391,447,494
Dividends (note 28)	-	-	(800,000,000)	(800,000,000)
Balance as at 31 December 2019	100,000,000	50,000,000	1,106,824,070	1,256,824,070

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 SR	2018 SR
OPERATING ACTIVITIES			
Net profit before zakat		434,758,765	608,286,651
Adjustments for:			
Provision for end of service indemnities	25	76,623,560	52,806,092
Depreciation and amortization	18&19	75,150,348	41,665,873
(reversal)/ Impairment loss on accounts receivables and contract assets		(8,525,623)	9,521,225
Right of use assets depreciation	20	17,053,376	-
Impairment on property and equipment		-	1,328,424
Provision for penalties		-	7,966,373
Reversal for future estimated contract losses		-	(8,341,517)
Allowance/(reversal) for slow moving and obsolete inventories	16	32,121,051	(4,442,668)
Profit from sale of a subsidiary	1	(71,991,722)	-
Provision for advances		(6,799,183)	(2,345,488)
Finance charges		2,958,236	-
Finance income		(15,555,969)	(30,320,270)
		535,792,839	676,124,695
Changes in operating assets and liabilities:			
Increase in accounts receivable		(805,495,245)	(870,075,675)
Decrease/(increase) in prepayments and other assets		122,001,602	(164,036,925)
Increase in contract assets		(290,262,122)	(15,104,698)
Increase in inventories		(42,478,580)	(64,478,428)
Decrease/(increase) in contract costs		16,340,814	(22,557,665)
Increase in accounts payable and accruals		191,454,556	429,181,557
Increase in deferred revenue		438,700,677	507,206,750
Increase/(decrease) in contract liabilities		116,477,803	(311,763,204)
Cash generated from operations		282,532,344	164,496,407
Zakat paid	10	(99,869,791)	(26,828,840)
End of service indemnities paid	25	(15,617,000)	(8,512,000)
Finance charges paid		(38,865)	-
Finance income received		16,475,995	31,187,575
NET CASH GENERATED OPERATING ACTIVITIES		183,482,683	160,343,142

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Arabian Internet and Communication Services Company and its Subsidiary
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

	Note	2019 SR	2018 SR
INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(179,409,914)	(133,339,669)
Proceeds from sale of a subsidiary		100,000,000	-
Net liquidation of murabaha time deposits		230,400,000	569,600,000
NET CASH GENERATED FROM INVESTING ACTIVITIES		150,990,086	436,260,331
FINANCING ACTIVITIES			
Lease liabilities payment		(12,578,423)	-
Dividend paid		(800,000,000)	(300,000,000)
CASH USED IN FINANCING ACTIVITIES		(812,578,423)	(300,000,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(478,105,654)	296,603,473
Cash and cash equivalents at the beginning of the year		892,386,612	595,783,139
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		414,280,958	892,386,612

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY

(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2019

1- ACTIVITIES

Arabian Internet and Communication Services Company ("the Company") is a Saudi Limited Liability 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").

The Company is engaged in electrical, mechanical and electronic contracting works. It also covers installation, maintenance of wireless, line telecommunications equipment, licensed information technology and professional services related to senior management, which includes general management, finance, marketing, human resourcing, production management and public relations.

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

Subsidiary	Country of incorporation	Ownership %	
		31 December 2019	31 December 2018
a) Saudi Digital Payments Company (Owned by One Person)	Kingdom of Saudi Arabia	-	100%
b) Saudi Telecom Company Solution for Information Technology (Owned by One Person)	Egypt	100%	-

a) Saudi Digital Payments Company (Owned by One Person) ("the Subsidiary") is a Limited Liability Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010901344 and dated 1 Rabi Awal 1439H (corresponding to 19 November 2017) with a capital of SR 100 million paid in cash. The Subsidiary has 100,000 shares with a nominal value of SR 1,000 per share and it is fully owned by the Company. The principal activities of the Subsidiary are operating systems, e-commerce and internet trading.

b) The board of directors of STC has decided to transfer the ownership of the subsidiary from the Company to STC. The legal formalities to transfer the ownership are completed on 19 Dhul-Qadah 1440 (corresponding to 22 July 2019). The assets and liabilities of the subsidiary are not consolidated in these interim condensed statements of financial position and results of the subsidiary till the date of control were consolidated in these interim consolidated statements of profit or loss and other comprehensive income. The net assets value of the subsidiary at the disposal date was SR 28,008,278 and the Group has sold this for a consideration of SR 100,000,000. This has resulted in a gain of SR 71,991,722.

c) 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 1000 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 subsidiaries (together the "Group") immediate and ultimate controlling party is Saudi Telecom Company ("STC"), a company incorporated in the Kingdom of Saudi Arabia.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

2- BASIS OF PREPARATION

Statement of compliance

These are the Company and the subsidiary's (together the "Group"), complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

This is the first set of the Group's annual financial statements in which IFRS 16 "Leases" have been applied.

These consolidated financial statements are based on the following:

- Significant accounting policies described in note 3
- Significant accounting estimates, assumptions and judgements described in note 4

3- SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

The changes in accounting policies are reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019. The Group has adopted IFRS 16 using the modified retrospective approach with the effect of applying this standard at the date of initial application (1 January 2019) and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. The weighted average rate of additional borrowing rate at the initial implementation date was 3.8%.

Impact of transition to IFRS

On initial application, the Group has elected to record right-of-use assets (amounting to SR 78 million) based on the corresponding lease liability (amounting to SR 73 million) adjusted for any prepaid or accrued lease payments as of 1 January 2019, with no impact on retained earnings.

The following is the reconciliation of lease liabilities on 1 January 2019 with operating lease commitments on 31 December 2018:

Operating lease commitments as at 31 December 2018	16,871,754
Weighted average incremental borrowing rate as at 1 January 2019	3.8%
Extension options not recognized previously	67,914,039
Discounted lease commitments as at 1 January 2019	72,621,047

The Group has elected to apply the following:

apply one discount rate on a portfolio of leases with reasonably similar characteristics.

account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

exclude direct costs from measuring the right of use assets at the date of initial application.

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of transition to IFRS (continued)

use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

As a practical expedient, the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application, and continue as previously assessed under IAS 17 and IFRIC 4. The Group applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019.

IFRS 16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either: the Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected to separate non-lease components and account for the Check alignment of the page non-lease components separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

As a lessee (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of items that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Basis of measurement and functional currency

The 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 referred to below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the Company's functional currency.

The significant accounting policies applied by the Group in the preparation of consolidated financial statements are set out below:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Basis of consolidation

Refer to note 4 for details on judgements applied by the Group in respect of determination of control.

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and the subsidiary listed in note (1).

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the partners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Company's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Principles of consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of profit or loss; and
- reclassifies the partner's share of components previously recognized in consolidated other comprehensive income to consolidated profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in the consolidated profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in consolidated other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in consolidated other comprehensive income are reclassified to the consolidated profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers"

System integration services

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network. Hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software, which the customer has purchased. The Group also provides right to maintenance and support service to its customer (i.e. sells maintenance and support). These services are stand-ready services and the cost incurred on them are directly attributable to the project. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligations based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on expected cost plus margin.

The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material, where revenue on equipment and materials is recognized only upon transfer of control to the customers upon delivery i.e. at a zero percent profit margin.

Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs.

Revenue on training is recognized over time using input method.

The Group offers perpetual and limited life licenses, which are accounted for as a performance obligation satisfied at a point in time at which the license is granted to the customer. The license, support service and upgrades are separate performance obligations. The Group recognizes the revenue when control transfers. Revenue is not recognized for a license that provides a right to use the intellectual property before the beginning of the period during which the customer is able to use and benefit from the license. In the case of sale of software licenses together with the hardware devices, the device and software will be accounted for as one performance obligation, without the software license being a separate performance obligation. The revenue from the one performance obligation will be recognized in accordance with the relevant treatment for the hardware device.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Cloud and data center services

Cloud and data center service revenue represent revenue generated by selling the cloud and data center products hosted on the marketplace and falls broadly into two options:

- a) The Group's own off-the-shelf or customized cloud products:

Cloud products are primary responsibility of the Company and certain third party Cloud Service Providers ("CSP"). The Group has the primary obligation to render services to the customer for its own off-the-shelf or customized cloud products to fulfil its performance obligation. The Group has responsibility for meeting customer specifications. The Group also has discretion for establishing the prices for respective cloud product. Generally, there is no inventory involved as such. Cases where equipment's or sms's are separately sold to customer, the Group bears the inventory risk. Therefore, the Group is the principal under this arrangement because it controls the specified cloud service before they are transferred to the end customer and, consequently, shall recognize revenue in the gross amount of consideration to which it is entitled in exchange for providing the services to the end customer.

- b) Third party CSP cloud products:

The CSP are primarily responsible to render services to the customers for the promises to deliver cloud services, hardware or the bundled solution at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer. The respective CSP on their own establishes the prices for their cloud products and the Group does not have discretion in establishing the price for the CSP cloud products. Therefore, the Group is an agent in this arrangement. Whereby the cloud is sold through STC's marketplace, the Group is principal toward STC but remains agent toward the end customer.

Since cloud contracts have terms of minimum commitment with the customers, the Group estimates the variable consideration using expected value approach only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Customer avails the benefit of these services over the period as and when they consume the cloud product. Revenue is recognized over a period of time. Each pre-defined and customized product is further divided into two categories based on their nature:
 - a. Subscription packages – Revenue is recognized over a period of time based on time elapsed output method
 - b. Pay as use packages – Revenue is recognized over a period of time applying usage base output method
- Hardware ("Add-ons") - Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation or delivery.

The Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Where cloud and data center services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cloud and data center services is recognized as revenue based on above policy.

The Group charges the customers for certain activation activity. However, under IFRS 15 the activation activity does not give rise to promised goods or services which are distinct in nature. Applying the guidance of non-refundable upfront fees, the Group recognizes revenue from activation fees when the goods or services to which they relate are provided to the customer.

Outsourcing services

The Group provides outsourcing services which primarily includes manpower services or managed manpower services or solution support. Further, in case of manpower services customer may also request the Group to deliver some hardware equipment.

The hardware equipment are sold separately in the market. The customers can demand the equipment under the manpower service arrangement, which are independent of the professional service. There is neither integration of hardware with the services nor any modification or customization to the equipment. Thus, hardware is a separately identifiable component in the outsourcing contract (only in case of manpower services) and accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue for manpower services is recognized over a period of time using input method based on cost incurred. If contracts include hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. The revenue for solution support is recognized over a period of time using output method based on time elapsed.

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Communication and internet services

Communication and internet services revenue represent revenue generated by selling Dedicated Internet Access (DIA) and data services. If communication and internet services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to Internet services (DIA) as the customer avails the benefit of these services over the period as and when they consume the internet service. The revenue is recognized over a period of time using output method based on time elapsed. Revenue in relation to data services is recognized when the customer avails the benefit of these services over the period as and when they consume the data service. Revenue to be recognized over a period of time using output method based on time elapsed (coinciding with the billing).

Managed services

Revenue from managed service includes managed router service, managed LAN service and managed Wi-Fi service.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable and from other items and if a customer can benefit from it.

Managed router services revenue represent revenue generated by selling routers, managing the routers and providing technical support service and are recognized as follows:

- Hardware: Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon delivery.
- Managed router services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.
- Technical support services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.

Where managed services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices, which for the hardware is adjusted market or cost plus margin approach and for the managed router services and technical support services it is observable prices. The consideration allocated to managed services is recognized as revenue based on the above policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Digital services

Revenue from digital service includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable and from other items and if a customer can benefit from it.

Fleet control services revenue represents revenue generated by selling fleet control devices (hardware), application service and value added service like roaming service and are recognized as follows:

- Hardware (devices): Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation.
- Application services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.
- Valued added services: Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on usage.

Cyber Security services

Cyber security revenue represents revenue generated from providing security products and services to the customers' networks, or any other security services.

In case of projects, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software which the customer has purchased. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material guidance where revenue on hardware/software is recognized only to the extent of the cost incurred i.e. at a zero percent profit margin. Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs. Revenue on training is recognized over time using input method.

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Cyber Security services (continued)

In case of managed security services, there are three performance obligations: hardware, installation and managed security services. They are capable of being distinct and distinct within the context of the contract. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin or adjusted market price. The Group recognizes revenue related to the hardware with its installation at a point in time when installation is done. Revenue on managed security services is recognized over time based on time elapsed since the customer is receiving and consuming the benefit provided by the Group simultaneously as the Group performs the same.

Where cyber security services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cyber security services is recognized as revenue based on above policy.

Other considerations

- **Contract costs**
The Group may incur cost to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services, and are periodically reviewed for impairment.
- **Work-in-progress**
Work-in-progress for an over-time performance obligation is generally expensed as a fulfillment cost when it is incurred because control of the work in progress transfers to the customer as it is produced and not at discrete intervals. However, inventory to support multiple contracts that has an alternative use is recognized as an asset until it is dedicated to a specific contract.
- **Contract assets and liabilities**
Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. There was some reclassification from unbilled revenue to contract assets and from advances from customers to contract liabilities due to this change.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Other considerations (continued)

- **Principal versus agent consideration**
The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price.
- Where the Group performs agency related activities under a contract as the end customer receives project management and coordination support, the Group only recognizes net commission income, as the Group arranges for another party to transfer goods or services under such arrangement and accordingly is acting as an agent.
- **Variable consideration**
The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.
- **Presentation and disclosure requirements**
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 5 for the disclosure on disaggregated revenue.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, upon initial recognition, a financial asset is classified and measured at amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Classification and measurement of financial assets and financial liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains, losses, and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets

The impairment model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, contract assets and murabaha time deposits.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs for private customers. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For government and STC receivables, a review is done on quarterly basis to determine the balances that need a specific provision or write-off.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the consolidated statement of profit or loss and OCI.

The following table explains measurement categories under IFRS 9 for each class of the Group's financial instruments:

Financial assets	Classification under IFRS 9
Available-for-sale investments	Designated at FVOCI
Murabaha time deposits	Amortized cost
Accounts receivable	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities	
Accounts payable and accruals	Amortized cost

Foreign currencies

Transactions in currencies other than the Group's functional currency ("foreign currencies"), which is SR are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is;

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets that do not meet the above criteria, as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities that do not meet the above criteria, as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products and services.

General and administration expenses include direct and indirect costs not specifically part of cost of sales or selling and distribution expenses as required under IFRSs as endorsed in KSA. Allocations between general and administration expenses, cost of sales and selling & distribution expenses, when required, are made on a consistent basis.

Zakat is calculated and provided for by Saudi Telecom Company (the "Parent Company") and its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Group's share of its provision is charged to the consolidated statement of profit and loss and other comprehensive income.

Dividends

The Company recognizes a liability to make dividend distribution to the Partners of Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the Partners. A corresponding amount is recognized directly in equity.

Employee benefits

End of service indemnities

The Group primarily has end of service indemnities which qualifies as defined benefit plans.

The pension liability recognized in the consolidated statement of financial position is the present value of the projected Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom of Saudi Arabia to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' related costs in the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Employee benefits (continued)

End of service indemnities (continued)

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Current and past service costs related to end of service indemnities and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Laws and Workmen Law as well as the Group's policy.

Retirement benefits

The Group pays retirement contributions for its national employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Appropriate provision is made for obsolete and slow moving inventories, if required.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, is amortized at a rate of 20% per annum.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated profit or loss when the asset is derecognized.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes, *inter alia*, the present value of decommissioning costs relating to leasehold improvements.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The Group applies the following annual rates of depreciation to its property and equipment:

Computer hardware	33%
Furniture	20%
Office equipment	17%
Leasehold improvements	Lower of the lease period or 20%
Motor vehicles	25%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

Costs incurred in respect of repairs and maintenance are expensed as incurred while expenditure for betterment is capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in the consolidated profit or loss in the period in which they become receivable

4- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

4.1 Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

At 31 December 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.1 Critical judgements in applying accounting standards (continued)

Determination of control

Subsidiary is an investee over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return. The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

At 31 December 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.2 Estimates and assumptions (continued)

Expected credit losses ("ECL")

The Group reviews its accounts receivable at each reporting date to assess whether an expected credit loss should be recorded in the consolidated statement of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of expected credit loss required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the actual loss. At the reporting date, gross trade receivables were SR 537.57 million (31 December 2018: SR 283.78 million) with SR 64.52 million (31 December 2018: 54.42 million) being provided for. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated profit or loss. In addition, an ECL of SR 45.22 million (31 December 2018: SR 55.65 million) was raised against gross amounts owing from a related party of SR 2,207.10 million (31 December 2018: SR 1,714.01 million).

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant items of inventory this estimation is performed on an individual basis. Items of inventory which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices less estimated costs of sale.

At the reporting date, inventories were SR 210.64 million (31 December 2018: SR 168.16 million), with provision for old and obsolete inventories amounting to SR 59.98 million (31 December 2018: SR 27.87 million). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the consolidated profit or loss.

Long-term assumptions for employee benefits

Employees' end of service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Discounting of lease liabilities

The Group has discounted the future cash flows relating to lease liabilities. Appropriate discount rate was used in determining the carrying amount of these items.

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4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.2 Estimates and assumptions (continued)

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

5- REVENUE, NET

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

	31 December 2019 SR	31 December 2018 SR
System Integration	2,084,811,085	1,727,380,552
Outsourcing Services	903,483,037	690,221,286
Communication & Internet	875,337,511	838,337,371
Cloud Services	477,558,152	269,913,321
Cyber Security	430,268,898	308,120,677
Managed Services	251,803,274	163,442,837
Digital Services	234,034,346	43,883,050
	5,257,296,303	4,041,299,094

Type of customers		
Sell through STC and sell to direct customers (STC is not the end customer)	3,193,951,504	2,317,350,378
Sell to STC (STC is the end customer)	2,063,344,799	1,723,948,716
	5,257,296,303	4,041,299,094

	31 December 2019 SR	31 December 2018 SR
Timing of revenue recognition		
Goods or services transferred to customers:		
- over time	4,844,238,289	3,897,237,652
- at a point in time	413,058,014	144,061,442
	5,257,296,303	4,041,299,094

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6- SELLING AND DISTRIBUTION EXPENSES

	31 December 2019 SR	31 December 2018 SR
Employees related costs	118,658,905	79,259,594
Selling and marketing expenses	32,484,951	29,409,276
Business travel expenses	4,043,772	3,374,597
IT expenses	1,520,752	146,023
Depreciation and amortization	755,555	732,067
Others	131,703	95,643
	157,595,638	113,017,200

7- GENERAL AND ADMINISTRATION EXPENSES

	31 December 2019 SR	31 December 2018 SR
Employees related costs	200,440,158	147,079,576
Depreciation and amortization	50,851,464	16,958,740
Professional services	37,382,397	49,044,130
IT expenses	29,368,655	16,860,531
Business travel expenses	13,667,790	8,089,199
Hospitality and corporate gatherings	10,988,983	7,132,247
Office expenses	10,325,523	7,933,233
Rent expenses	1,523,792	15,787,266
Utilities expenses	1,438,421	1,084,314
Provision for advances	(8,746,875)	(2,345,488)
Others	2,905,902	2,560,826
	350,146,210	270,184,574

8- OTHER INCOME, NET

	31 December 2019 SR	31 December 2018 SR
Commission income	2,283,013	7,303,413
Impairment loss on property and equipment	-	(1,328,424)
Foreign exchange loss	(40,171)	(332,995)
Others	(101,911)	-
	2,140,931	5,641,994

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9- FINANCE INCOME. NET

	31 December 2019 SR	31 December 2018 SR
Income from murabaha time deposits	15,555,969	30,320,270
Finance charges on leases liabilities	(2,958,236)	-
	12,597,733	30,320,270

10- ZAKAT

The Group is effectively 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 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 year amounting to SR 40,933,271 (31 December 2018: SR 51,831,227) has been estimated based on the Group's zakat base and is charged to its consolidated statement of profit or loss and other comprehensive income. This estimation is adjusted proportionately by the consolidation impact, as applicable.

The movement in zakat provision was as follows:

	31 December 2019 SR	31 December 2018 SR
Opening balance	99,050,504	74,048,117
Charged during the year	40,933,271	51,831,227
Paid during the year	(99,869,791)	(26,828,840)
Closing balance	40,113,984	99,050,504

11- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances, cash in hand and investments that are readily convertible into known amounts of cash and have maturity of three months or less when placed. Cash and cash equivalents comprise of the following;

	31 December 2019 SR	31 December 2018 SR
Cash in hand	9,928	41,412
Bank balances	39,271,030	152,495,200
Murabaha time deposits (*)	375,000,000	739,850,000
	414,280,958	892,386,612

(*) Represent deposits placed with various banks and carry a profit rate of 1.6% to 2.6% per annum. The maturity date for all these deposits are less than 90 days.

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12- MURABAHA TIME DEPOSITS

These represent the Murabaha deposits placed with various banks. The maturity date for all these deposits are more than 90 days when placed.

13- ACCOUNTS RECEIVABLE

	31 December 2019 SR	31 December 2018 SR
Gross trade receivables (excluding related party balance)	537,574,257	283,786,411
Less: allowance for expected credit losses	(64,524,138)	(54,418,689)
Net trade receivables	473,050,119	229,367,722
Gross amounts due from a related party (note 31)	2,207,101,329	1,714,009,468
Less: allowance for discount (related party)	-	(58,615,538)
Less: allowance for expected credit losses (related party) (note 31)	(45,223,074)	(55,654,192)
Net amounts due from a related party	2,161,878,255	1,599,739,738
Total accounts receivable	2,634,928,374	1,829,107,460

Trade receivables

The average credit period on sales of goods and services is 60 days. No finance income is charged on trade receivables. Allowances for doubtful debts are recognized against trade receivables between three months and one year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

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.

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13- ACCOUNTS RECEIVABLE (continued)

Trade receivables(continued)

Since the Group considers the homogeneity of economic characteristics of the company/ individual for segmentation. Private customers are assessed for impairment on a collective basis. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

One of the Group's debtors comprise 17% of the total trade receivables balance excluding related party balance.

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

Movement in the allowance for expected credit losses and penalties related to trade receivables

	31 December 2019 SR	31 December 2018 SR
Opening balance	54,418,689	56,555,880
Charge/(reversal) for the year	10,105,449	(2,137,191)
Closing balance	64,524,138	54,418,689

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. The Group does not hold any collateral over the impaired trade receivables.

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13. ACCOUNTS RECEIVABLE (continued)

	31 December 2019 SR	31 December 2018 SR
Age of unimpaired trade receivables		
Non-governmental receivables		
Up to 3 months	89,042,936	32,642,217
3 to 6 months	14,986,349	17,085,050
6 to 9 months	216,201	322,513
9 months to 1 year	1,441,303	223,848
Over 1 year	6,154,531	7,300,876
Governmental receivables		
Neither past due nor impaired	234,910,717	127,046,263
Up to 1 year	106,150,874	21,147,008
1 to 3 year	4,943,936	11,672,650
3 to 5 year	14,002,840	11,070,264
Over 5 year	1,200,432	857,033
	473,050,119	229,367,722
Age of impaired trade receivables		
Non-governmental receivables		
Up to 3 months	11,070,333	6,148,323
3 to 6 months	4,251,792	6,985,778
6 to 9 months	169,388	330,851
9 months to 1 year	2,636,585	694,830
Over 1 year	26,499,972	22,662,099
Governmental receivables		
Up to 1 year	1,341,612	1,768,763
1 to 3 year	2,524,609	2,441,156
3 to 5 year	10,353,492	8,996,665
Over 5 year	5,676,355	4,390,224
	64,524,138	54,418,689

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14- PREPAYMENTS AND OTHER ASSETS

	31 December 2019 SR	31 December 2018 SR
Advances to suppliers (note 14.1)	79,618,892	141,676,771
Prepaid expenses (note 14.2)	42,360,019	65,802,318
Value added tax recoverable (note 31)	10,969,302	62,382,561
Other receivables	21,259,867	28,702,977
Deposits	2,748,183	2,522,359
	156,956,263	301,086,986

- 14.1 Advances to suppliers are presented net of provision for old advances (note 7) amounting to SR 9.09 million (31 December 2018: SR 7.17 million).
- 14.2 Prepaid expenses are presented net of provision for certain doubtful prepaid assets (note 7) amounting to SR 22.30 million (31 December 2018: SR 31.01 million).

15- CONTRACT ASSETS

Contract assets represents the value of work executed by the Group during the year which has not been billed to customers as at the reporting date.

	31 December 2019 SR	31 December 2018 SR
Gross contract assets	1,174,967,842	926,090,181
Provision for discount	-	(41,384,462)
Allowance for impairment	(8,548,117)	(16,748,070)
	1,166,419,725	867,957,649

The movement in the allowance for impairment related to contract assets for the year ended 31 December were as follows:

	31 December 2019 SR	31 December 2018 SR
Opening balance	16,748,070	2,862,099
(Reversal)/ charge for the year (note 30)	(8,199,953)	13,885,971
Closing balance	8,548,117	16,748,070

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16- INVENTORIES

	31 December 2019 SR	31 December 2018 SR
Materials and supplies	210,644,211	168,165,631
Less: allowance for slow moving and obsolete inventory (note 16.1)	(59,989,749)	(27,868,698)
	150,654,462	140,296,933

16.1 The movement in the allowance for slow moving and obsolete inventories was as follows:

	31 December 2019 SR	31 December 2018 SR
Opening balance	27,868,698	32,311,365
Net charge/(reversal) for the year	32,121,051	(4,442,667)
Closing balance	59,989,749	27,868,698

17- EQUITY INVESTMENTS AT 'FVOCI'

	31 December 2019 SR	31 December 2018 SR
5% holding in Saudi Telecom Investment Trading Company Limited (engaged in telecommunications services) (note 17.1)	50,000	50,000
1% holding in Sapphire Company (engaged in IT services) (note 17.2)	-	-
	50,000	50,000

17.1 This investment is carried at cost, as the fair value cannot be reliably determined.

17.2 Sapphire Company was established in the Kingdom of Saudi Arabia in June 2014. In November 2018, the Board of Directors of its parent company decided to close Sapphire and merge their business with their own share effective 1 January 2019. The legal proceedings are still in progress. Accordingly, the Group has recognized 100% impairment on this investment

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18- INTANGIBLE ASSETS

COST	Software	Capital work in progress	Total
	SR	SR	SR
As at 31 December 2018	82,030,211	14,141,349	96,171,560
Additions	17,525,477	56,939,999	74,465,476
Transfer	34,431,353	(34,431,353)	-
Disposal of subsidiary's assets	(631,662)	(13,441,629)	(14,073,291)
As at 31 December 2019	133,355,379	23,208,366	156,563,745
ACCUMULATED AMORTIZATION			
As at 31 December 2018	31,967,626	-	31,967,626
Amortization	21,243,953	-	21,243,953
Disposal of subsidiary's assets	(398,107)	-	(398,107)
As at 31 December 2019	52,813,472	-	52,813,472
NET BOOK VALUE			
At 31 December 2018	50,062,585	14,141,349	64,203,934
At 31 December 2019	80,541,907	23,208,366	103,750,273

The amortization charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2019 SR	31 December 2018 SR
Cost of revenue	9,389,503	5,943,377
Selling and distribution expenses (note 6)	15,000	461
General and administration expenses (note 7)	11,839,450	7,020,623
	21,243,953	12,964,461

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19- PROPERTY AND EQUIPMENT

COST	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work in progress	Total
	SR	SR	SR	SR	SR	SR
Balance as at 31 December 2018	132,082,904	37,462,075	40,356,728	1,245,825	14,077,061	225,224,593
Additions	36,576,019	10,980,189	4,493,907	-	73,525,135	125,575,250
Transfer	47,751,650	13,919,269	11,792,401	477,900	(73,941,220)	-
Disposal	(399,926)	(2,921,677)	-	-	-	(3,321,603)
Disposal of subsidiary's assets	(1,651,477)	(3,305,229)	(3,200,455)	(301,225)	-	(8,458,386)
Balance as at 31 December 2019	214,359,170	56,134,627	53,442,581	1,422,500	13,660,976	339,019,854
Balance as at 31 December 2018	82,868,858	25,321,494	14,519,881	512,327	-	123,222,560
Depreciation and impairment charge	39,801,108	6,765,762	7,052,247	287,278	-	53,906,395
Disposal	(395,630)	(2,830,946)	-	-	-	(3,226,576)
Disposal of subsidiary's assets	(323,993)	(638,722)	(560,940)	(74,130)	-	(1,597,785)
Balance as at 31 December 2019	121,950,343	28,617,588	21,011,188	725,475	-	172,304,594
NET BOOK VALUE						
As at 31 December 2018	49,214,046	12,140,581	25,836,847	733,498	14,077,061	102,002,033
At 31 December 2019	92,408,827	27,517,039	32,431,393	697,025	13,660,976	166,715,260

The depreciation and impairment charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2019 SR	31 December 2018 SR
Cost of revenue	30,538,161	18,031,688
Selling and distribution expenses (note 6)	740,555	731,606
General and administration expenses	22,627,679	9,938,117
Other income (note 8)	-	1,328,425
	53,906,395	30,029,836

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20- RIGHT OF USE ASSETS

Below are the assets amount capitalized in the consolidated statement of financial position and depreciation charge for year ended 31 December 2019 under the application of IFRS 16, Leases.

	Properties SR	Vehicles SR	Total SR
Balance as at 1 January 2019	76,462,772	1,713,076	78,175,848
Additions (net)	16,293,229	-	16,293,229
Depreciation charge	(16,182,839)	(870,537)	(17,053,376)
Balance as at 31 December 2019	76,573,162	842,539	77,415,701

Right of use assets are depreciated as follows;

Properties	4.5 to 6 years
Vehicles	1.2 to 2.5 years

21- ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2019 SR	31 December 2018 SR
Trade payables (note 21.1)	367,288,723	595,519,245
Accrued project costs (note 21.2)	570,081,455	362,951,476
Accrued expenses	319,964,455	230,212,915
Accrued connectivity charges (note 31)	115,854,581	-
Amounts due to a related party (note 30)	60,592,669	45,442,400
Lease liabilities (note 24)	22,517,177	-
Withholding tax provision	1,975,718	2,041,490
	1,458,274,778	1,236,167,526

21.1 The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

At 31 December 2019

21- ACCOUNTS PAYABLE AND ACCRUALS (Continued)

21.2 During the year ended 31 December 2019, there have been reversals amounting to SR 36.65 million (31 December 2018: SR 29.99 million) relating to accrued project costs, which have been charged to cost of revenue. These reversals are primarily driven from the difference between the estimated project accruals carried in the books and the actual cost incurred or expected to be incurred upon completion. These differences arose mainly due to certain contract information updates relating to project accruals and due to recent enhancement made to the estimation process set up within the Group. These are considered as change in estimates and have been charged to the consolidated statement of profit or loss and other comprehensive income in the current year.

22- DEFERRED REVENUE

This represents billings issued to customers in excess of the value of work executed by the Group as per the terms of billings in the contract agreement with the customers as of the reporting date.

23- CONTRACT LIABILITIES

Contract liabilities represent amounts received from the Group's customers which will be applied against future billings.

24- LEASE LIABILITIES RELATING TO RIGHT OF USE ASSETS

Following is the maturity analysis of undiscounted cash flows relating to leases payments as at 31 December 2019.

Maturity analysis of undiscounted cash flows	31 December 2019 SR
Less than 1 year	27,201,174
One to five years	59,493,762
Total undiscounted liabilities as at 31 December 2019	86,694,936

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24- LEASE LIABILITIES RELATING TO RIGHT OF USE ASSETS (continued)

Following is the presentation of discounted lease liabilities as at 31 December 2019 in the consolidated statement of financial position.

	31 December 2019 SR
Current portion (included in Accounts payable and accruals)	22,517,177
Non-current portion	54,157,328
Total	76,674,505

25- END OF SERVICE INDEMNITIES

	31 December 2019 SR	31 December 2018 SR
Defined benefit obligation (DBO)	189,138,652	125,754,092

The Group grants end of service indemnities (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end of service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within consolidated OCI under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity.

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25- END OF SERVICE INDEMNITIES (continued)

The following table represents the movement of the DBO:

	31 December 2019 SR	31 December 2018 SR
Opening balance	125,754,092	92,250,000
Expected service cost	70,662,560	48,095,092
Finance cost	5,961,000	4,711,000
Total amount recognized in profit or loss	76,623,560	52,806,092
Loss/(gains) recognized in OCI	2,378,000	(10,790,000)
Payments	(15,617,000)	(8,512,000)
Closing balance	189,138,652	125,754,092

Significant actuarial assumptions

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2019	31 December 2018
Attrition rates	15%	15%
Salary escalation rate	5.6%	5.6%
Discount rate	3.45%	4.8%
Retirement age	65	65

Sensitivity analysis

The results are sensitive to the assumptions used. The table below shows the change in DBO based on increase or decrease in the base assumption value as of 31 December 2019:

	Change in Assumption	Impact on defined benefit obligation		
		Base value	Increase in assumption	Decrease in assumption
		SR	SR	SR
Discount rate	1%	189,138,652	170,329,000	211,218,000
Attrition rate	20%	189,138,652	179,558,000	200,822,000
Salary escalation rate	1%	189,138,652	210,509,000	170,519,000

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26- SHARE CAPITAL

The share capital of the Company as of 31 December comprises of 10,000,000 (2018: 10,000,000) shares stated at SAR 10 (31 December 2018: 10) per share.

27- STATUTORY RESERVE

In accordance with Companies law and the Company's Articles of Association, the Company must transfer 10% of its income for the year to the statutory reserve. In accordance with Company's Articles of Association, the Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. This having been achieved, the Company has elected not to transfer any additional amount to reserve. The reserve is not available for distribution.

28- DIVIDENDS

The Company's partners in their meeting held on 15 Dhul-Qadah 1440H (corresponding to 18 July 2019) resolved to distribute dividends amounting to SR 80 per share aggregating to SR 800,000,000.

29- 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:

31 December 2019	Category of financial assets	Carrying amount	Fair value level
Financial assets			
Cash and cash equivalents	Amortized Cost	414,280,958	N/A
Accounts and other receivables	Amortized Cost	3,836,325,451	N/A
Equity Investments at FVOCI	FVOCI	50,000	Level 3
Financial liabilities			
Accounts payable and accruals	Amortized Cost	1,458,274,778	N/A

31 December 2018	Category of financial assets	Carrying amount	Fair value level
Financial assets			
Cash and cash equivalents	Amortized Cost	892,386,612	N/A
Accounts and other receivables	Amortized Cost	3,021,073,006	N/A
Equity Investments at FVOCI	FVOCI	50,000	Level 3
Financial liabilities			
Accounts payable and accruals	Amortized Cost	1,236,167,526	N/A

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29- FINANCIAL INSTRUMENTS (continued)

The amounts for receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk at the reporting date.

Fair value of financial instruments

The directors consider that the carrying value of the financial instruments reported in the consolidated statement of financial position approximates their fair value, with the exception of the available-for-sale investment for which the fair value cannot be accurately determined.

30- FINANCIAL RISK AND CAPITAL MANAGEMENT

Market risk

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

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

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30- FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Profit and liquidity rate risk management (continued)

31 December 2019	Profit rate	Within one year	One year to five years	Total
	%	SR	SR	SR
Accounts payable and accruals	Profit free	1,435,757,601	-	1,435,757,601
Lease liabilities relating to right of use assets – current	3.53% to 3.92%	22,517,177	-	22,517,177
Lease liabilities relating to right of use assets – non-current	3.53% to 3.92%	-	54,157,328	54,157,328
31 December 2018				
Accounts payable and accruals	Profit free	1,236,167,526	-	1,236,167,526

Credit risk management

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 and 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:

	31 December 2019	31 December 2018
	SR	SR
Impairment loss on accounts receivable	(325,670)	(4,364,747)
(Reversal) of Impairment loss on contract assets (note 15)	(8,199,953)	13,885,971
Total	(8,525,623)	9,521,224

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

30- FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Expected credit loss assessment for private customers

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivables. The Group uses a provision matrix to measure the ECLs of trade receivables from private customers.

Loss rates are calculated using a 'roll rate' / 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates / flow rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from private customers as at 31 December 2019:

31 December 2019	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	113,234,493	7.55%	8,548,117
0-90 days	100,113,270	11.06%	11,070,333
91-180 days	19,238,140	22.10%	4,251,792
181 - 270 Days	385,590	43.93%	169,388
271 - 365 Days	4,077,888	64.66%	2,636,585
More than 1 year	20,710,765	64.66%	13,390,679
	257,760,146	213.96%	40,066,894

Expected credit loss assessment for Government Receivables and STC

A Committee estimates the impairment loss and estimates and recommends receivables to be written-off from Government and STC /STCS Affiliates customers. The Committee's role includes a review of the status of balances written-off by Accounts Receivable Department for Government & STC/STCS Affiliates according to the procedures related to the policy and aging reports and any other information or data requested by the Committee.

The Accounts Receivable section in the Financial Accounting & Reporting Department calculates and records the impairment loss at the end of each quarter based on the Committee's estimate for Government and STC/STCS Affiliates Customers. The Committee meets in the first week after the end of each quarter in order to evaluate and determine the impairment loss for Government & STC /STCS Affiliates entities.

For contract assets, the average default rate for the last three years is calculated by dividing the amounts written-off during the period (each year) by the value of outstanding balances of contract assets at the end of the period. This rate is multiplied by the contract assets during the period in order to reach the balance of provision of contract assets, if required.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

30- 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 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, the statutory reserve and retained earnings.

31- RELATED PARTY INFORMATION

Related parties comprise of partners, key management personnel, directors and businesses which are controlled directly or indirectly or influenced by the partners, 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 Company's management or its Board of Directors.

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

During the year, the Group entered into the following transactions with its related party:

	31 December 2019 SR	31 December 2018 SR
Sales of goods and services (a)	4,174,560,648	3,415,530,073
Purchases from STC	186,660,921	81,398,799

a) Sales of goods and services to STC include an amount of SR 2,111,215,850 (31 December 2018: SR 1,691,581,357) for which STC is not the end customer.

The following balances were outstanding with STC at the reporting date:

	31 December 2019 SR	31 December 2018 SR
Gross amounts due from a related party (note 13)	2,207,101,329	1,714,009,468
Contract assets	754,271,015	696,570,430
Value added tax recoverable (note 14)	10,969,302	62,382,561
Amounts due to a related party (note 21)	(60,592,669)	(45,442,400)
Provision for doubtful debts (note 13)	(45,223,074)	(55,654,192)
Provision for discount on accounts receivable and contract assets	-	(100,000,000)
Deferred revenue	(1,330,334,861)	(929,940,946)
Net advances from customer	(404,155,445)	(267,384,998)

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

31. RELATED PARTY INFORMATION (continued)

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

During the year ended 31 December 2019, the management became aware of connectivity charges that are allocated by the related party to the Group for the current year charge. As a result, during the current year, the Group has accrued for SR 116 million for these charges. This amount is considered as preliminary and it's subject to mutual agreement between the Group and related party.

The movements in the allowance for expected credit losses and penalties related to amounts due from the Parent Company were as follows:

	31 December 2019 SR	31 December 2018 SR
Opening balance	55,654,192	45,317,572
(Reversal)/charge for the year	(10,431,118)	10,336,620
Closing balance	45,223,074	55,654,192

Age of unimpaired amounts due from a related party

	Total	Neither past due nor impaired	Past due but not impaired Up to 1 year	More than 1 - 3 years	More than 3 - 5 years	More than 5 years
	SR	SR	SR	SR	SR	SR
31 December 2019	2,161,859,999	1,291,463,728	864,304,503	2,481,008	944,257	2,666,503
31 December 2018	1,658,355,276	946,858,183	570,343,121	20,882,669	117,863,422	2,407,881

The following compensation was paid to key management personnel during the year:

	31 December 2019 SR	31 December 2018 SR
Short-term benefits	32,830,747	25,512,987
Post-employment benefits	-	1,029,060
	32,830,747	26,542,047

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A LIMITED LIABILITY COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2019

32- CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

33- EVENTS AFTER THE REPORTING DATE

No other events have arisen subsequent to 31 December 2019 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2019.

34- CONTINGENT LIABILITIES

	31 December 2019 SR	31 December 2018 SR
Letters of guarantees	247,219,506	111,030,251

35- COMPARATIVE FIGURES

Certain of the prior year's amounts have been reclassified to conform with the presentation in the current year

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020



Ernst & Young & Co. (Certified Public Accountants) Registration No. 45/11/323
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, and the, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

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

Riyadh: 10 Rajab 1442H
(22 February 2021)



ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 SR	2019 SR
Revenue, net	5&30	6,891,419,063	5,257,296,303
Cost of revenue		(5,469,447,120)	(4,410,051,699)
GROSS PROFIT		1,421,971,943	847,244,604
Selling and distribution expenses	6	(159,116,667)	(157,595,638)
General and administration expenses	7	(459,734,281)	(350,146,210)
(Impairment) / reversal of impairment of accounts receivable and contract assets	12&14	(46,113,660)	8,525,623
Other (loss) / income	8	(2,335,201)	2,140,931
Gain from sale of a subsidiary	1	-	71,991,722
NET PROFIT BEFORE FINANCE (COSTS) / INCOME AND ZAKAT		754,672,134	422,161,032
Finance (costs) income, net	9	(898,512)	12,597,733
NET PROFIT BEFORE ZAKAT		753,773,622	434,758,765
Zakat	10	(51,978,118)	(40,933,271)
NET PROFIT FOR THE YEAR		701,795,504	393,825,494
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to consolidated profit or loss:			
Remeasurement of end of service indemnities	24	(35,271,285)	(2,378,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		666,524,219	391,447,494
Earnings per share:			
Basic and diluted from net profit for the year (restated)	27	5.85	3.28

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 SR	31 December 2019 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	993,473,644	414,280,958
Accounts receivable	12&30	2,803,751,456	2,634,928,374
Prepayments and other assets	13	156,879,523	157,006,263
Contract assets	14&30	1,504,561,466	1,166,419,725
Inventories	15	112,369,154	150,654,462
TOTAL CURRENT ASSETS		5,571,035,243	4,523,289,782
NON-CURRENT ASSETS			
Contract costs		6,641,665	6,216,851
Intangible assets	17	91,459,160	103,750,273
Right-of-use assets	19	71,932,711	77,415,701
Property and equipment	18	593,558,752	166,715,260
TOTAL NON-CURRENT ASSETS		763,592,288	354,098,085
TOTAL ASSETS		6,334,627,531	4,877,387,867
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	20	1,973,953,470	1,458,274,778
Deferred revenue	21&30	1,704,985,832	1,426,625,548
Contract liabilities	22&30	336,035,288	452,253,507
Zakat payable	10	53,140,982	40,113,984
TOTAL CURRENT LIABILITIES		4,068,115,572	3,377,267,817
NON-CURRENT LIABILITIES			
Lease liabilities	23	48,170,893	54,157,328
End of service indemnities	24	294,776,761	189,138,652
TOTAL NON-CURRENT LIABILITIES		342,947,654	243,295,980
TOTAL LIABILITIES		4,411,063,226	3,620,563,797
EQUITY			
Share capital	25	1,200,000,000	100,000,000
Statutory reserve	26	120,179,550	50,000,000
Other reserves		(6,851,269)	28,204,000
Retained earnings		610,236,024	1,078,620,070
TOTAL EQUITY		1,923,564,305	1,256,824,070
TOTAL LIABILITIES AND EQUITY		6,334,627,531	4,877,387,867

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Statutory reserve	Other reserves	Retained earning	Total
	SR	SR	SR	SR	SR
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 year	-	-	-	701,795,504	701,795,504
Transfer to statutory reserve	-	70,179,550	-	(70,179,550)	-
Other comprehensive loss	-	-	(35,271,285)	-	(35,271,285)
Other reserve (note 30)	-	-	216,016	-	216,016
Increase in share capital (note 25)	1,100,000,000	-	-	(1,100,000,000)	-
Balance as at 31 December 2020	1,200,000,000	120,179,550	(6,851,269)	610,236,024	1,923,564,305
Balance as at 1 January 2019	100,000,000	50,000,000	-	1,515,376,576	1,665,376,576
Net profit for the year	-	-	-	393,825,494	393,825,494
Other comprehensive loss	-	-	-	(2,378,000)	(2,378,000)
Reclassification (note 37)	-	-	28,204,000	(28,204,000)	-
Dividends (note 25)	-	-	-	(800,000,000)	(800,000,000)
Balance as at 31 December 2019	100,000,000	50,000,000	28,204,000	1,078,620,070	1,256,824,070

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 SR	2019 SR
OPERATING ACTIVITIES			
Net profit before zakat		753,773,622	434,758,765
Adjustments for:			
Depreciation, impairment and amortization – property and equipment and intangibles	17&18	89,813,403	75,150,348
Depreciation – right-of-use assets	19	18,772,331	17,053,376
Employee benefits expense	24 &30	90,348,670	76,623,560
Impairment / (reversal of impairment) of accounts receivable and contract assets	12&14	46,113,660	(8,525,623)
Impairment of contract costs		6,126,639	-
Provision for slow moving and obsolete inventories	15	8,092,437	32,121,051
Gain on sale of a subsidiary	1	-	(71,991,722)
Provision / (reversal of provision) against lease contracts and advances to suppliers		30,440,020	(6,799,183)
Finance charges	9	2,537,652	2,958,236
Finance income	9	(1,639,140)	(15,555,969)
		1,044,379,294	535,792,839
Changes in operating assets and liabilities:			
Accounts receivable		(217,527,654)	(805,495,245)
Prepayments and other assets		978,910	122,001,602
Contract assets		(335,550,829)	(290,262,122)
Inventories		30,192,871	(42,478,580)
Contract costs		(424,814)	16,340,814
Accounts payable and accruals		491,609,478	191,454,556
Deferred revenue		278,360,284	438,700,677
Contract liabilities		(116,218,219)	116,477,803
Cash flows generated from operating activities		1,175,799,321	282,532,344
Zakat paid	10	(38,951,120)	(99,869,791)
End of service indemnities paid	24	(19,765,830)	(15,617,000)
Finance income received, net		1,981,146	16,437,130
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,119,063,517	183,482,683

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 SR	2019 SR
INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets	17&18	(535,999,978)	(179,409,914)
Proceeds from sale of a subsidiary	1	-	100,000,000
Net liquidation of murabaha time deposits		-	230,400,000
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES		(535,999,978)	150,990,086
FINANCING ACTIVITIES			
Lease liabilities payment	23	(3,870,853)	(12,578,423)
Dividends paid	25	-	(800,000,000)
NET CASH USED IN FINANCING ACTIVITIES		(3,870,853)	(812,578,423)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		579,192,686	(478,105,654)
Cash and cash equivalents at the beginning of the year		414,280,958	892,386,612
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	993,473,644	414,280,958
Non-cash items:			
Increase in share capital	25	1,100,000,000	-
Recognition of right-of-use assets under IFRS 16	19	13,289,341	94,469,077
Recognition of lease liabilities under IFRS 16	23	12,933,987	86,294,692

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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 status from a limited liability company to a Saudi Closed Joint Stock company (note 25).

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	AlKhobar
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 detail of the subsidiary company included in these consolidated financial statements:

Subsidiary	Country of incorporation	Ownership %	
		31 December 2020	31 December 2019
a) Saudi Telecom Company Solution for Information Technology (Owned by One Person)	Egypt	100%	100%
b) Saudi Digital Payments Company	Saudi Arabia	0%	0%

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 1000 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.

b) During July 2019, the Company has sold Saudi Digital Payments Company to Saudi Telecom Company (the Company's Owner) and all the legal formalities to transfer the ownership were completed in 2019. The net carrying value of the subsidiary at the disposal date was SR 28,008,278 and the Company has sold this investment at a consideration of SR 100,000,000 which has resulted in a gain of SR 71,991,722.

The Company is fully owned by Saudi Telecom Company ("STC"), a listed company incorporated in the Kingdom of Saudi Arabia.

2- BASIS OF PREPARATION

Change in legal form

Although the first fiscal period of the Company (after its conversion to a joint stock company) starts from December 31, 2020 to December 31, 2021, the Company has prepared its consolidated financial statements for the year ended December 31, 2020, which reflects its accounting year.

Statement of compliance

These are the Company and the Subsidiary's (together the "Group"), complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

These consolidated financial statements are based on the following:

- Significant accounting policies described in note 3
- Significant accounting estimates, assumptions and judgements described in note 4

3- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in the preparation of consolidated financial statements are set out below:

Basis of measurement and functional currency

The 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 referred to below.

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

Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and the Subsidiary listed in note (1).

Subsidiaries are entities controlled by the group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.

3- SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

System integration services

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network. Hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software, which the customer has purchased. The Group also provides right to maintenance and support service to its customer (i.e. sells maintenance and support). These services are stand-ready services and the cost incurred on them are directly attributable to the project. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligations based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on expected cost plus margin.

The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material, where revenue on equipment and materials is recognized only upon transfer of control to the customers upon delivery i.e. at a zero percent profit margin.

Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs.

Revenue on training is recognized over time using input method.

The Group offers perpetual and limited life licenses, which are accounted for as a performance obligation satisfied at a point in time at which the license is granted to the customer. The license, support service and upgrades are separate performance obligations. The Group recognizes the revenue when control transfers to the customer/end-user. Revenue is not recognized for a license that provides a right to use the intellectual property before the beginning of the period during which the customer is able to use and benefit from the license. In the case of sale of software licenses together with the hardware devices, the device and software will be accounted for as one performance obligation, without the software license being a separate performance obligation. The revenue from the one performance obligation will be recognized in accordance with the relevant treatment for the hardware device.

Cloud and data center services

Cloud and data center service revenue represent revenue generated by selling the cloud and data center products hosted on the marketplace and falls broadly into two options:

- a) The Group's own off-the-shelf or customized cloud products:
Cloud products are primary responsibility of the Company and certain third party Cloud Service Providers ("CSP"). The Group has the primary obligation to render services to the customer for its own off-the-shelf or customized cloud products to fulfil its performance obligation. The Group has responsibility for meeting customer specifications. The Group also has discretion for establishing the prices for respective cloud product. Generally, there is no inventory

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Cloud and data center services (continued)

involved as such. Cases where equipment's or sms's are separately sold to customer, the Group bears the inventory risk. Therefore, the Group is the principal under this arrangement because it controls the specified cloud service before they are transferred to the end customer and, consequently, shall recognize revenue in the gross amount of consideration to which it is entitled in exchange for providing the services to the end customer.

b) Third party CSP cloud products:

The CSP are primarily responsible to render services to the customers for the promises to deliver cloud services, hardware or the bundled solution at the customer's premises. The Group does not obtain control of a right to cloud services before it is delivered to the end customer. The respective CSP on their own establishes the prices for their cloud products and the Group does not have discretion in establishing the price for the CSP cloud products. Therefore, the Group is an agent in this arrangement. Whereby the cloud is sold through STC's marketplace, the Group is principal toward STC but remains agent toward the end customer.

Since cloud contracts have terms of minimum commitment with the customers, the Group estimates the variable consideration using expected value approach only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Hosting services offered by the group to third party CSP is an independent service which is distinct and there is no significant integration or customization to them. Hence, both the criteria mentioned of identifying a performance obligation are met. Thus, hosting services offered by the group could be said to be a separate performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Customer avails the benefit of these services over the period as and when they consume the cloud product. Revenue is recognized over a period of time. Each pre-defined and customized product is further divided into two categories based on their nature:
 - a. Subscription packages – Revenue is recognized over a period of time based on time elapsed output method
 - b. Pay as use packages – Revenue is recognized over a period of time applying usage base output method
- Hardware (“Add-ons”) - Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation or delivery.

The Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.

Where cloud and data center services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cloud and data center services is recognized as revenue based on above policy.

The Group charges the customers for certain activation activity. However, under IFRS 15 the activation activity does not give rise to promised goods or services which are distinct in nature. Applying the guidance of non-refundable upfront fees, the Group recognizes revenue from activation fees when the goods or services to which they relate are provided to the customer.

Outsourcing services

The Group provides outsourcing services which primarily includes manpower services or managed manpower services or solution support. Further, in case of manpower services customer may also request the Group to deliver some hardware equipment.

The hardware equipment are sold separately in the market. The customers can demand the equipment under the manpower service arrangement, which are independent of the professional service. There is neither integration of hardware with the services nor any modification or customization to the equipment. Thus, hardware is a separately identifiable component in the outsourcing contract (only in case of manpower services) and accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue for manpower services is recognized over a period of time using input method based on cost incurred. If contracts include hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. The revenue for solution support is recognized over a period of time using output method based on time elapsed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Communication and internet services

Communication and internet services revenue represent revenue generated by selling Dedicated Internet Access (DIA) and data services. If communication and internet services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to Internet services (DIA) as the customer avails the benefit of these services over the period as and when they consume the internet service. The revenue is recognized over a period of time using output method based on time elapsed. Revenue in relation to data services is recognized when the customer avails the benefit of these services over the period as and when they consume the data service. Revenue to be recognized over a period of time using output method based on time elapsed (coinciding with the billing).

Managed services

Revenue from managed service includes managed router service, managed LAN service and managed Wi-Fi service.

The Group accounts for individual goods and services separately if they are distinct, i.e., if a good or service is separately identifiable and from other items and if a customer can benefit from it.

Managed router services revenue represent revenue generated by selling routers, managing the routers and providing technical support service and are recognized as follows:

- **Hardware:** Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon delivery.
- **Managed router services:** Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.
- **Technical support services:** Customer avails the benefit of these services over the period as and when they consume the benefit. Revenue is recognized over a period of time using output method based on time elapsed.

Where managed services are provided as part of a bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices, which for the hardware is adjusted market or cost plus margin approach and for the managed router services and technical support services it is observable prices. The consideration allocated to managed services is recognized as revenue based on the above policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Digital services

Revenue from digital service includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc.

The Group accounts for individual goods and services as a separate performance obligation if they are capable of being distinct and distinct in the context of the contract.

Fleet control services revenue represents revenue generated by selling fleet control devices (hardware), application service and value added service like roaming service and are recognized as follows:

- Hardware (devices): Revenue from hardware sales are recognized at a point in time when the control of the hardware is transferred to the customer i.e. upon installation.
- Application services: Customer avails the benefit of these services over the period of the contract. Revenue is recognized over a period of the contract using the output method based on time elapsed.
- Valued added services: Customer avails the benefit of these services over the period of the contract. Revenue is recognized over a period of the contract using the output method based on usage..

Cyber Security services

Cyber security revenue represents revenue generated from providing security products and services to the customers' networks, or any other security services.

In case of projects, hardware and software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract because they are not separately identifiable from other promises in the contract. The Group provides a significant service of integrating the hardware and software which the customer has purchased. Sometimes the service integration contract includes multiple deliverables such as training solutions and maintenance and support. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue relating to installed hardware and software along with design and professional services over time using the input method which includes the uninstalled material guidance where revenue on hardware/software is recognized only to the extent of the cost incurred i.e. at a zero percent profit margin. Revenue on selling maintenance and support is recognized at a point in time when the transfer of the right to the service to customer occurs. Revenue on training is recognized over time using input method.

In case of managed security services, there are three performance obligations: hardware, installation and managed security services. They are capable of being distinct and distinct within the context of the contract. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin or adjusted market price. The Group recognizes revenue related to the hardware with its installation at a point in time when installation is done. Revenue on managed security services is recognized over time based on time elapsed since the customer is receiving and consuming the benefit provided by the Group simultaneously as the Group performs the same.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Cyber Security services (continued)

Where cyber security services are provided as part of bundled contract, the consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The consideration allocated to cyber security services is recognized as revenue based on above policy.

Other considerations

- **Contract costs**
The Group may incur cost to fulfil a contract before a good or service is provided to a customer. Such costs are capitalized where they relate directly to the contract or anticipated contract, generate resources used in satisfying the contract and are expected to be recovered. The Group will amortize these costs on a systematic basis, consistent with the transfer to the customer of the goods or services, and are periodically reviewed for impairment.
- **Work-in-progress**
Work-in-progress for an over-time performance obligation is generally expensed as a fulfillment cost when it is incurred because control of the work in progress transfers to the customer as it is produced and not at discrete intervals. However, inventory to support multiple contracts that has an alternative use is recognized as an asset until it is dedicated to a specific contract.
- **Contract assets and liabilities**
Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.
- **Principal versus agent consideration**
The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price.
Where the Group performs agency related activities under a contract as the end customer receives project management and coordination support, the Group only recognizes net commission income, as the Group arranges for another party to transfer goods or services under such arrangement and accordingly is acting as an agent.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Other considerations (continued)

- Variable consideration
If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods and services to a customer. The Group is obliged to provide the cloud platform to the third party CSP. As a consideration, the Group is entitled to 25% revenue share of the consideration between CSP and end customer. As the agreement between the Group and CSP is a month-on-month contract and the consideration is a variable consideration contingent upon future event not within the Group's control, the Group recognizes their share of revenue, i.e. 25% of the total invoice value billed to end customer on behalf of third party CSP on acceptance of service by end customer.
- Presentation and disclosure requirements
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 5 for the disclosure on disaggregated revenue.

IFRS 9 "Financial Instruments"

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- Financial assets measured at amortised cost; or
- Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of profit or loss or through the consolidated statement of OCI.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of profit or loss, when incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial assets (continued)

Subsequent measurement

Debt instruments

The Group recognises three classifications to subsequently measure its debt instruments:

- **Amortised cost**
Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortised cost. A gain or loss on an investment in debt instruments subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of profit or loss when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the Effective Interest Rate ("EIR") method.
- **FVOCI**
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of profit or loss and recognised in other income/expense. Interest income from these financial assets is included in finance income using the EIR method. Foreign exchange gains and losses are presented in other income/expense.
- **FVPL**
Financial assets at fair value through income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value through income statement, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through income statement, irrespective of the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial assets (continued)

Financial assets at fair value through income statement are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. This category includes derivative instruments.

Equity instruments

The Group measures all investments in equity instruments at fair value and presents changes in fair value of investments in equity instruments in OCI. Dividends from such investments continue to be recognised in the special-purpose statement of profit or loss as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - a- The Group has transferred substantially all the risks and rewards of the asset; or
 - b- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

- a) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.
- b) Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.
- c) Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial assets (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a Group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVPL; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

ii) Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions in currencies other than the Company's functional currency ("foreign currencies"), which is SR are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is;

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets that do not meet the above criteria, as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities that do not meet the above criteria, as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products and services.

General and administration expenses include indirect costs not specifically part of cost of sales or selling and distribution expenses as required under IFRSs as endorsed in KSA. Allocations between general and administration expenses, cost of sales and selling & distribution expenses, when required, are made on a consistent basis.

Zakat

Zakat is calculated and provided for by Saudi Telecom Company (the "Parent Company") and its effectively wholly owned subsidiaries in accordance with Saudi Arabian fiscal regulations. The Group's share of its provision is charged to the consolidated statement of profit and loss and other comprehensive income.

Dividends

The Company recognizes a liability to make dividend distribution to the shareholders of Company when the distribution is approved by the General assembly and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Employee benefits

End of service indemnities

The Group primarily has end of service indemnities which qualifies as defined benefit plans.

The pension liability recognized in the consolidated statement of financial position is the present value of the projected Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom of Saudi Arabia to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' related costs in the consolidated statement of profit or loss and other comprehensive income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Current and past service costs related to end of service indemnities and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Laws and Workmen Law as well as the Group's policy.

Retirement benefits

The Group pays retirement contributions for its national employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Appropriate provision is made for obsolete and slow moving inventories, if required.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, is amortized at a rate of 20% per annum.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset (continued)

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Computer hardware	3 to 5 years
Furniture	5 years
Office equipment	5 to 20 years
Leasehold improvements	Lower of the lease period or 5 years
Motor vehicles	5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial period ended and adjusted prospectively, if appropriate.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

IFRS 16 Leases

The Group assess whether a contract contains a lease, at inception of the contract. 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 mainly comprise of lease of building and is amortized over the respective lease period.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in the consolidated profit or loss in the period in which they become receivable

Segmental Information

The specific operating segments of the Group are identified based on internal reports, which are regularly reviewed by the Group's main decision makers (chief operating decision maker) for the purpose of resource allocation among segments and performance assessment.

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

New adopted policies

Shared-based payment transactions

The Company's executive employees receive remuneration in the form of share-based payments under the employees long term incentives program, whereby employees render services as consideration for Company's shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument at the grant date. The grant date is the date on which the Company and the employee agree on the share-based agreement, so that, a common understanding of the terms and conditions of the agreement exists between the parties. Share-based payment expense is included as part of employees benefits expense over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of the International Financial Reporting Standard - 2: Share-based Payment. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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4- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The following critical judgements and estimates have the most significant effect on the amounts recognized in the consolidated financial statements:

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Change in Estimates regarding useful life of assets

During the year, the Group reviewed the estimated useful lives of property and equipment. Management believes that it is appropriate to change the estimated useful life of the property and equipment as following:

Main Category	Sub Category	Old Life	Revised Life
Computer Hardware	Computer servers	3 Years	5 Years
Computer Hardware	Workgroup devices	3 Years	5 Years
Vehicles	Cars	4 Years	5 Years

The changes in the estimated useful lives of property and equipment have been applied prospectively from 1 January 2020. The changes in useful lives have resulted in net decrease in depreciation charge for the year ended 31 December 2020 amounting to SR 33.86 million and increase in net profit for the year by the same amount.

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4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Change in Estimates regarding useful life of assets (continued)

Expected credit losses ("ECL")

For accounts receivables and contract assets, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic. The Group estimates the case by case provision on STC, Government and Private customers based on the internal assessment regarding the collectability of the balances and this assessment is done based on the available information. An estimate of the collectible amount is made when collection of the amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant items of inventory this estimation is performed on an individual basis. Items of inventory which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices less estimated costs of sale.

Long-term assumptions for employee benefits

Employees' end of service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

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4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Change in Estimates regarding useful life of assets (continued)

Determining the lease term of contracts with renewal and terminations options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

Incremental borrowing rate for lease agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Contract cost estimation

The Group recognises contract revenue by reference to the stage of completion of the activity at the reporting date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Assumptions are required to estimate the total estimated contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers and other technical team. The accuracy of these estimates is likely to have an impact on the amount of revenue and related profits recognised.

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31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Change in Estimates regarding useful life of assets (continued)

At the end of each reporting period, the Group is required to estimate costs to complete the contracts based on work to be performed beyond the reporting period. This involves objective evaluation of project progress against the schedule, evaluation of work to be performed and the associated costs to fully deliver the contract to the customer. This estimate will impact contract revenue and costs, contract assets, contract liabilities and accrued project costs. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

5- REVENUE, NET

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

	31 December 2020 SR	31 December 2019 SR
System Integration	2,315,752,861	2,084,811,085
Communication & Internet	1,427,818,939	875,337,511
Outsourcing Services	1,228,845,986	903,483,037
Cloud Services	677,004,234	477,558,152
Cyber Security	578,413,335	430,268,898
Managed Services	401,178,603	251,803,274
Digital Services	262,405,105	234,034,346
	6,891,419,063	5,257,296,303
Type of customers		
Sell through STC and sell to direct customers (STC is not the end customer)	4,467,318,493	3,193,951,504
Sell to STC (STC is the end customer)	2,424,100,570	2,063,344,799
	6,891,419,063	5,257,296,303
Timing of revenue recognition		
Goods or services transferred to customers:		
- over time	6,205,867,828	4,844,238,289
- at a point in time	685,551,235	413,058,014
	6,891,419,063	5,257,296,303

Contract assets and provision for expected credit losses relating to revenue earned from ongoing services is disclosed in note 14.

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6- SELLING AND DISTRIBUTION EXPENSES

	31 December 2020 SR	31 December 2019 SR
Employees related costs	141,705,587	118,658,905
Selling and marketing expenses	12,234,343	32,484,951
IT expenses	3,178,965	1,520,752
Business travel expenses	1,226,515	4,043,772
Depreciation and amortization	378,072	755,555
Others	393,185	131,703
	159,116,667	157,595,638

7- GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020 SR	31 December 2019 SR
Employees related costs	208,460,414	200,440,158
Professional services	67,787,904	37,382,397
Depreciation and amortization	56,961,604	50,851,464
IT expenses	44,326,476	29,368,655
Provision / (reversal of provision) against lease contracts	30,166,460	(8,746,875)
Office expenses	14,461,978	10,325,523
Hospitality and corporate gatherings	13,313,641	10,988,983
Rent expenses	10,560,459	1,523,792
Business travel expenses	7,118,395	13,667,790
Utilities expenses	1,601,079	1,438,421
Others	4,975,871	2,905,902
	459,734,281	350,146,210

8- OTHER (LOSS) / INCOME, NET

	31 December 2020 SR	31 December 2019 SR
Commission income	2,133,766	2,283,013
Impairment loss on property and equipment (note 8.1 & 18)	(3,517,908)	-
Foreign exchange loss	(952,799)	(40,171)
Others	1,740	(101,911)
	(2,335,201)	2,140,931

8.1 This represents the impairment charge booked on assets related to certain offices which are planned to be handed back to lessor.

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9- FINANCE (COSTS) INCOME, NET

	31 December 2020 SR	31 December 2019 SR
Finance charges on leases liabilities	(2,537,652)	(2,958,236)
Income from murabaha time deposits	1,639,140	15,555,969
	(898,512)	12,597,733

10- 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 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 year amounts to SR 51,978,118 (31 December 2019: SR 40,933,271) has been estimated based on the Group's zakat base and is charged to its consolidated statement of profit or loss and other comprehensive income.

The parent company has an open objection related to the assessment for 2008 & 2009, which is under the review with the General Secretariat of Tax Committees (formerly the Appeal Committee), and the parent company believes to clear this assessment with no substantial liability. The parent company has cleared the assessment for the years 2014 & 2018 via a settlement with Zakat, Tax and Customs Authority (ZATCA). Finally, the parent company has received assessments for the years 2015 till 2017 from ZATCA, these assessments are objected by the parent company, and the parent company believes that the result of this objection will be in its favour and no material additional provisions are required.

The movement in zakat provision is as follows:

	31 December 2020 SR	31 December 2019 SR
Balance as at 1 January	40,113,984	99,050,504
Charge for the year	51,978,118	40,933,271
Paid during the year	(38,951,120)	(99,869,791)
Balance as at 31 December	53,140,982	40,113,984

11- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances, cash in hand and investments that are readily convertible into known amounts of cash and have original maturity of three months or less when placed. Cash and cash equivalents comprise of the following;

	31 December 2020 SR	31 December 2019 SR
Cash in hand	22,471	9,928
Bank balances	8,451,173	39,271,030
Murabaha time deposits (*)	985,000,000	375,000,000
	993,473,644	414,280,958

(*) Represent deposits placed with various banks and carry a profit rate of 0.25% to 0.45% per annum. The original maturity date for all these deposits are less than 90 days.

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12- ACCOUNTS RECEIVABLE

	31 December 2020 SR	31 December 2019 SR
Gross trade receivables (excluding related parties balance)	813,285,140	537,574,257
Less: allowance for expected credit losses	(74,796,541)	(64,524,138)
Net trade receivables	738,488,599	473,050,119
Gross amounts due from related parties (note 30)	2,146,107,981	2,207,101,329
Less: allowance for expected credit losses against related parties balances (note 30)	(80,845,124)	(45,223,074)
Net amounts due from related parties	2,065,262,857	2,161,878,255
Total accounts receivable	2,803,751,456	2,634,928,374

Trade receivables

The average credit period on sales of goods and provision for services is 60 days. No finance income is charged on trade receivables.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

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 company/ individual for segmentation. Private customers are assessed for impairment on a collective basis. The Group does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

One of the Group's debtors comprise 13% (31 December 2019:17%) of the total trade receivables balance excluding related parties balance.

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

Movement in the allowance for expected credit losses related to trade receivables (excluding related parties balance):

	31 December 2020 SR	31 December 2019 SR
Balance as at 1 January	64,524,138	54,418,689
Charge for the year	10,272,403	10,105,449
Balance as at 31 December	74,796,541	64,524,138

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12. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for expected credit losses related to amounts due from the related parties:

	31 December 2020 SR	31 December 2019 SR
Opening balance	45,223,074	55,654,192
Charge/(reversal) for the year	35,622,050	(10,431,118)
Closing balance (*)	80,845,124	45,223,074

(*) The above includes SAR 49.81 million (31 December 2019: 36.99 million) pertaining to receivables for which STC is not the end customer.

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 for third parties is limited due to the fact that the customer base is large and unrelated. The Group does not hold any collateral over the impaired trade receivables.

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12. ACCOUNTS RECEIVABLE (continued)

	31 December 2020 SR	31 December 2019 SR
Age of unimpaired trade receivables		
Non-governmental receivables		
Neither past due nor impaired	133,306,573	70,280,845
0 to 3 months	12,479,736	18,762,091
4 to 6 months	62,994,560	14,986,349
7 to 12 months	5,046,037	1,657,504
Over 1 year	11,192,309	6,154,531
	225,019,215	111,841,320
Governmental receivables		
Neither past due nor impaired	269,979,122	234,910,717
0 to 3 months	53,335,690	21,912,105
4 to 6 months	80,707,005	44,623,255
7 to 12 months	73,608,103	39,917,355
Over 1 year	35,839,464	19,845,367
	513,469,384	361,208,799
	738,488,599	473,050,119
Age of impaired trade receivables		
Non-governmental receivables		
0 to 3 months	11,511,292	11,070,333
4 to 6 months	10,861,484	4,251,792
7 to 12 months	4,359,397	2,805,973
Over 1 year	28,544,283	26,499,972
	55,276,456	44,628,070
Governmental receivables		
0 to 3 months	2,346,182	-
4 to 6 months	60,090	184,199
7 to 12 months	1,073,980	855,572
Over 1 year	16,039,833	18,856,297
	19,520,085	19,896,068
	74,796,541	64,524,138

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13- PREPAYMENTS AND OTHER ASSETS

	31 December 2020 SR	31 December 2019 SR
Other receivables (note 13.1)	96,666,789	32,279,169
Prepaid expenses, net (note 13.2)	38,719,787	42,360,019
Advances to suppliers, net (note 13.3)	17,666,662	79,618,892
Deposits	3,826,285	2,748,183
	156,879,523	157,006,263

13.1 Other receivables include amounting to SR 80.66 million (31 December 2019: SR 19.13 million) due from related parties.

13.2 Prepaid expenses are presented net of provision for certain doubtful prepaid assets amounting to SR 22.65 million (31 December 2019: SR 22.65 million).

13.3 Advances to suppliers are presented net of provision for old advances amounting to SR 9.36 million (31 December 2019: SR 9.09 million).

14- CONTRACT ASSETS

Contract assets represents the value of work executed by the Group during the year which has not been billed to customers as at the reporting date.

	31 December 2020 SR	31 December 2019 SR
Gross contract assets (note 30)	1,510,518,671	1,174,967,842
Allowance for impairment	(5,957,205)	(8,548,117)
	1,504,561,466	1,166,419,725

The movement in the allowance for impairment related to contract assets for the year ended 31 December were as follows:

	31 December 2020 SR	31 December 2019 SR
Balance as at 1 January	8,548,117	16,748,070
Reversal of impairment for the year	(2,590,912)	(8,199,953)
Balance as at 31 December	5,957,205	8,548,117

15- INVENTORIES

	31 December 2020 SR	31 December 2019 SR
Materials and supplies	180,451,340	210,644,211
Less: allowance for slow moving and obsolete inventory (note 15.1)	(68,082,186)	(59,989,749)
	112,369,154	150,654,462

The Group has charged inventories amounting to SR 1,483.75 million (31 December 2019: SR 781.85 million) to consolidated statement of profit or loss and other comprehensive income.

15.1 The movement in the allowance for slow moving and obsolete inventories was as follows:

	31 December 2020 SR	31 December 2019 SR
Balance as at 1 January	59,989,749	27,868,698
Net charge for the year	8,092,437	32,121,051
Balance as at 31 December	68,082,186	59,989,749

16- EQUITY INVESTMENTS AT FAIR VALUE THROUGH OCI

16.1 The Group has 1% investment in Sapphire Company (engaged in IT services), which was established in the Kingdom of Saudi Arabia in June 2014. Sapphire Company is in liquidation and as at 31 December 2020 the legal proceedings of liquidation are still in process. Accordingly, the Group has recognized 100% impairment on this investment, the investment amount was SR 1 million.

16.2 The Group had 5% investment in Saudi Telecom Investment Trading Company Limited (engaged in telecommunications services) which was carried at cost of SR 50,000, as the fair value cannot be reliably determined. This investment has been disposed to the parent company at cost.

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17- INTANGIBLE ASSETS

COST:	Software	Capital work-in-progress	Total
	SR	SR	SR
As at 1 January 2020	133,355,379	23,208,366	156,563,745
Additions	11,560,733	13,236,367	24,797,100
Disposal	(10,117,694)	-	(10,117,694)
Transfer	31,691,628	(31,691,628)	-
As at 31 December 2020	166,490,046	4,753,105	171,243,151
ACCUMULATED AMORTIZATION:			
As at 1 January 2020	52,813,472	-	52,813,472
Amortization	30,898,330	-	30,898,330
Disposal	(3,927,811)	-	(3,927,811)
As at 31 December 2020	79,783,991	-	79,783,991
Net book value as at 31 December 2020	86,706,055	4,753,105	91,459,160
As at 1 January 2019	82,030,211	14,141,349	96,171,560
Additions	17,525,477	56,939,999	74,465,476
Transfer	34,431,353	(34,431,353)	-
Disposal of subsidiary's assets	(631,662)	(13,441,629)	(14,073,291)
As at 31 December 2019	133,355,379	23,208,366	156,563,745
ACCUMULATED AMORTIZATION			
As at 1 January 2019	31,967,626	-	31,967,626
Amortization	21,243,953	-	21,243,953
Disposal of subsidiary's assets	(398,107)	-	(398,107)
As at 31 December 2019	52,813,472	-	52,813,472
Net book value as at 31 December 2019	80,541,907	23,208,366	103,750,273

The amortization charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

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17- INTANGIBLE ASSETS (continued)

	31 December 2020 SR	31 December 2019 SR
Cost of revenue	13,713,422	9,389,503
Selling and distribution expenses (note 6)	103,890	15,000
General and administration expenses (note 7)	17,081,018	11,839,450
	30,898,330	21,243,953

During the year ended 31 December 2020, the Group has entered into an agreement with one of its parent's subsidiary to dispose certain assets at its net book value of SR 6.19 million.

18- PROPERTY AND EQUIPMENT

COST:	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work-in-progress	Total
	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2020	214,359,170	56,134,627	53,442,581	1,422,500	13,660,976	339,019,854
Additions	24,853,440	11,143,091	2,867,435	689,577	471,649,335	511,202,878
Transfer	54,475,465	1,392,162	8,737,963	-	(64,605,590)	-
Disposal	(38,024,276)	(3,139,046)	(1,525,901)	-	-	(42,689,223)
Balance as at 31 December 2020	255,663,799	65,530,834	63,522,078	2,112,077	420,704,721	807,533,509
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
Balance as at 1 January 2020	121,950,343	28,617,588	21,011,188	725,475	-	172,304,594
Depreciation and impairment charge	36,488,876	10,070,369	12,070,856	284,972	-	58,915,073
Disposal	(15,954,252)	(858,319)	(432,339)	-	-	(17,244,910)
Balance as at 31 December 2020	142,484,967	37,829,638	32,649,705	1,010,447	-	213,974,757
NET BOOK VALUE:						
At 31 December 2020	113,178,832	27,701,196	30,872,373	1,101,630	420,704,721	593,558,752

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18. PROPERTY AND EQUIPMENT (continued)

COST:	Computer hardware	Furniture and office equipment	Leasehold improvements	Motor vehicles	Capital work-in-progress	Total
	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2019	132,082,904	37,462,075	40,356,728	1,245,825	14,077,061	225,224,593
Additions	36,576,019	10,980,189	4,493,907	-	73,525,135	125,575,250
Transfer	47,751,650	13,919,269	11,792,401	477,900	(73,941,220)	-
Disposal	(399,926)	(2,921,677)	-	-	-	(3,321,603)
Disposal of subsidiary assets	(1,651,477)	(3,305,229)	(3,200,455)	(301,225)	-	(8,458,386)
Balance as at 31 December 2019	214,359,170	56,134,627	53,442,581	1,422,500	13,660,976	339,019,854
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
Balance as at 1 January 2019	82,868,858	25,321,494	14,519,881	512,327	-	123,222,560
Depreciation and impairment charge	39,801,108	6,765,762	7,052,247	287,278	-	53,906,395
Disposal	(395,630)	(2,830,946)	-	-	-	(3,226,576)
Disposal of subsidiary's assets	(323,993)	(638,722)	(560,940)	(74,130)	-	(1,597,785)
Balance as at 31 December 2019	121,950,343	28,617,588	21,011,188	725,475	-	172,304,594
NET BOOK VALUE:						
At 31 December 2019	92,408,827	27,517,039	32,431,393	697,025	13,660,976	166,715,260

The depreciation and impairment charge for the year was allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2020 SR	31 December 2019 SR
Cost of revenue	33,255,818	30,538,161
Selling and distribution expenses (note 6)	274,182	740,555
General and administration expenses (note 7)	21,867,165	22,627,679
Impairment loss on property and equipment (note 8)	3,517,908	-
	58,915,073	53,906,395

Capital work in progress as at 31 December 2020 mainly represents building of a remote computing facility. The facility is expected to start its operation during 2021.

During the year ended 31 December 2020, the Group has entered into an agreement with one of its parent's subsidiary to dispose certain assets at its net book value of SR 25.44 million.

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19- RIGHT-OF-USE ASSETS

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

	Land and Building	Vehicles	Total
	SR	SR	SR
Recognized on adoption of IFRS 16	76,462,772	1,713,076	78,175,848
Additions	16,293,229	-	16,293,229
Depreciation charge for the year	(16,182,839)	(870,537)	(17,053,376)
Balance as at 1 January 2020	76,573,162	842,539	77,415,701
Additions	13,289,341	-	13,289,341
Depreciation charge for the year	(18,043,910)	(728,421)	(18,772,331)
Balance as at 31 December 2020	71,818,593	114,118	71,932,711

Right of use assets are depreciated as follows;

Leased hold lands	15 years
Buildings	4 years
Vehicles	3 years

20- ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2020 SR	31 December 2019 SR
Trade payables	653,070,944	367,288,723
Accrued project costs	425,117,739	570,081,455
Accrued expenses (note 20.1)	499,082,870	319,964,455
Accrued connectivity charges (note 30)	239,657,376	115,854,581
Amounts due to related parties (note 30)	114,942,706	60,592,669
Lease liabilities (note 23)	40,104,398	22,517,177
Withholding tax provision	1,977,437	1,975,718
	1,973,953,470	1,458,274,778

20.1 Accrued expenses include amounting to SR 108.06 million (31 December 2019: SR 40.70 million) due to STC. Trade payables are normally settled within 90 days of the invoice dates.

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21- DEFERRED REVENUE

This represents billings issued to customers in excess of the value of work executed by the Group, as per the terms of billings in the contract agreement with the customers as of the reporting date.

22- CONTRACT LIABILITIES

Contract liabilities represent amounts received from the Group's customers which will be applied against future billings.

23- LEASE LIABILITIES

	31 December 2020 SR	31 December 2019 SR
Opening	76,674,505	-
Recognized on adoption of IFRS 16	-	72,621,047
Additions to lease liabilities, net	12,933,987	13,673,645
Finance cost charged	2,537,652	2,958,236
Payments	(3,870,853)	(12,578,423)
Total discounted liabilities as at 31 December	88,275,291	76,674,505

Following is the maturity analysis of undiscounted cash flows relating to leases payments as at 31 December 2020.

Maturity analysis of undiscounted cash flows	31 December 2020 SR	31 December 2019 SR
Less than 1 year	40,279,245	27,201,174
More than 1 year	51,187,531	59,493,762
Total undiscounted liabilities as at 31 December	91,466,776	86,694,936

Following is the presentation of discounted lease liabilities as at 31 December 2020 in the consolidated statement of financial position.

	31 December 2020 SR	31 December 2019 SR
Current portion (included in accounts payable and accruals)	40,104,398	22,517,177
Non-current portion	48,170,893	54,157,328
Total	88,275,291	76,674,505

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24- END OF SERVICE INDEMNITIES

	31 December 2020 SR	31 December 2019 SR
Defined benefit obligation (DBO)	294,776,761	189,138,652

The Group grants end of service indemnities (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end of service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Due to the lack of liquidity and the deep market constraints of local corporate bonds, reference needs to be made to the Saudi Government Issuance of US dollar denominated bonds rates.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within consolidated OCI under the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of changes in equity.

The following table represents the movement of the DBO:

	31 December 2020 SR	31 December 2019 SR
Balance as at 1 January	189,138,652	125,754,092
Expected service cost	83,882,654	70,662,560
Finance cost	6,250,000	5,961,000
Total employee benefits expense recognized in profit or loss	90,132,654	76,623,560
Loss recognized in OCI	35,271,285	2,378,000
Payments	(19,765,830)	(15,617,000)
Balance as at 31 December	294,776,761	189,138,652

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24. END OF SERVICE INDEMNITIES (continued)

Significant actuarial assumptions

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2020	31 December 2019
Attrition rates	15%	15%
Salary escalation rate	4.5%	5.6%
Discount rate	2.65%	3.45%
Retirement age	65	65

Sensitivity analysis

The results are sensitive to the assumptions used. The table below shows the change in DBO based on increase or decrease in the base assumption value as of 31 December 2020:

	Change in Assumption	Impact on defined benefit obligation		
		Base value	Increase in assumption	Decrease in assumption
		SR	SR	SR
Discount rate	1%	294,776,761	265,335,000	329,553,000
Attrition rate	20%	294,776,761	270,072,000	324,582,000
Salary escalation rate	1%	294,776,761	328,533,000	265,558,000

Cost of revenue includes employees' cost amounting to SR 1,579 million (31 December 2019: SR 1,245 million)

25- SHARE CAPITAL AND DIVIDENDS DISTRIBUTION

25.1 SHARE CAPITAL

During the year 2020, the shareholders of the Company in their meeting held on 12 Safar, 1442H (corresponding to 29 September 2020) decided 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 structure 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 structure including approval by the Ministry of Commerce which was obtained on 8 Jumada al-ula, 1442H (corresponding to 23 December 2020) and issuance of ministerial resolution were completed on 16 Jumada al-ula, 1442H (corresponding to 31 December 2020).

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25- SHARE CAPITAL AND DIVIDENDS DISTRIBUTION (continued)

25.2 DIVIDENDS DISTRIBUTION

No dividends were declared in year ended 31 December 2020. The Board of Directors in their meeting held on 15 Dhul-Qadah 1440H (corresponding to 18 July 2019) recommended to distribute dividends of SR 80 per share totaling to SR 800,000,000.

26- STATUTORY RESERVE

In accordance with Companies law and the Company's Bye laws, the Company must transfer 10% of its income for the year to the statutory reserve. In accordance with Company's Bye laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.

27- EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year ended 31 December as follows:

	31 December 2020	31 December 2019
Net profit for the year 'SR'	701,795,504	393,825,494
Weighted average no of shares for basic & diluted earnings per share (restated)	120,000,000	120,000,000
Basic and diluted earnings per share 'SR'	5.85	3.28

The Group does not have potentially dilutive shares and accordingly, dilutive earnings per share equals basic earnings per share.

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28- 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:

31 December 2020	Category of financial assets	Carrying amount	Fair value level
Financial assets			
Cash and cash equivalents	Amortized Cost	993,473,644	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	4,408,805,996	N/A
Equity Investments at FVOCI	FVOCI	-	Level 3
Financial liabilities			
Accounts payable and accruals	Amortized Cost	2,022,124,363	N/A

31 December 2019	Category of financial assets	Carrying amount	Fair value level
Financial assets			
Cash and cash equivalents	Amortized Cost	414,280,958	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	3,836,728,603	N/A
Equity Investments at FVOCI	FVOCI	-	Level 3
Financial liabilities			
Accounts payable and accruals	Amortized Cost	1,512,432,106	N/A

The amounts for receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk at the reporting date.

Fair value of financial instruments

The directors consider that the carrying value of the financial instruments reported in the consolidated statement of financial position approximates their fair value, with the exception of the equity investments at fair value through OCI investments for which the fair value cannot be accurately determined.

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29- FINANCIAL RISK AND CAPITAL MANAGEMENT

Market risk

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

Foreign currency risk management

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

Profit and liquidity rate risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, 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 detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both profit and principal cash flows.

31 December 2020	Profit rate	Within one year	More than one year	Total
	%	SR	SR	SR
Accounts payable and accruals	NA	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

31 December 2019	Profit rate	Within one year	More than one year	Total
	%	SR	SR	SR
Accounts payable and accruals	NA	1,435,757,601	-	1,435,757,601
Lease liabilities relating to right of use assets	3.53 to 3.92%	27,201,174	59,493,762	86,694,936

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29- 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 receivable 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 and 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.

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivables. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Loss rates are calculated using a 'roll rate' / 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates / flow rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from private customers as at 31 December 2020:

31 December 2020	Gross carrying amount	Weighted average loss rate	Loss allowance
Unbilled	114,342,069	5.21%	5,957,166
0-90 days	161,907,973	7.11%	11,511,216
91-180 days	75,802,007	14.33%	10,860,544
181 - 270 Days	4,606,455	28.29%	1,303,304
271 - 365 Days	6,879,734	44.42%	3,056,093
More than 1 year	22,422,820	44.42%	9,960,592
	385,961,058	11.05%	42,648,915

31 DECEMBER 2020

29- FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Capital management

The Group manages its capital to ensure it will be able to continue as going concern 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, statutory reserve and retained earnings.

30- RELATED PARTY INFORMATION

Related parties comprise of the Parent Company, and entities which are controlled directly or indirectly or influenced by the 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 year, the Group entered into the following transactions with its related parties:

	31 December 2020 SR	31 December 2019 SR
Sales of goods and services (Parent Company and its subsidiaries) (a)	5,313,919,469	4,174,560,648
Purchases (Parent Company)	252,077,760	186,660,921
Discount on certain projects (b)	199,071,534	-
Sale of intangible assets and property and equipment (note 17 & 18) (Other related party)	31,627,259	-
Long term incentive expense charged by Parent Company	216,016	-

- a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 2.9 billion (31 December 2019: SR 2.1 billion) for which Parent Company is not the end customer.
- b) This represents a discount on certain projects, that are performed through Parent Company.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2020

30. RELATED PARTY INFORMATION (continued)

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

	31 December 2020 SR	31 December 2019 SR
Accounts receivable: gross (note 12)	2,146,107,981	2,207,101,329
Contract assets	949,422,179	754,271,015
Other assets: receivable from related parties (note 13)	80,661,693	19,133,843
Deferred revenue	(1,606,137,371)	(1,330,334,861)
Amounts due to related parties (note 20)	(114,942,706)	(60,592,669)
Accrued connectivity charges (note 20)	(239,657,376)	(115,854,581)
Contract liabilities	(260,457,485)	(404,155,445)
Accrued expenses (note 20)	(108,058,882)	(40,704,701)

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

Age of unimpaired amounts due from related parties

	Total SR	Neither past due nor impaired SR	Past due but not impaired			
			0 - 3 months SR	4 - 6 months SR	7 - 12 months SR	Over 1 years SR
31 December 2020	2,065,262,857	932,147,422	450,520,253	379,906,106	298,474,987	4,214,089
31 December 2019	2,161,859,999	1,291,463,728	540,264,896	213,706,971	110,482,804	5,941,600

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2020

30. RELATED PARTY INFORMATION (continued)

The following compensation was paid to the key management personnel during the year:

	31 December 2020 SR	31 December 2019 SR
Employment benefits	34,911,209	32,830,747

The following amounts were payable in relation to end of service indemnities and annual leave provision to the key management:

	31 December 2020 SR	31 December 2019 SR
End of service indemnities and annual leave	5,578,995	3,161,140

31- 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 & 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 year ended 31 December 2020 (31 December 2019: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2020

31- SEGMENT INFORMATION (continued)

	31 December 2020 SR	31 December 2019 SR
Core ICT Services	3,743,571,801	2,960,148,596
IT Managed and Operational Services	1,630,024,588	1,155,286,311
Digital Services	1,517,822,674	1,141,861,396
Total revenue	6,891,419,063	5,257,296,303
Total cost of revenue	(5,469,447,120)	(4,410,051,699)
Total operating expenses	(664,964,608)	(499,216,225)
Total non-operating (expenses) / income	(3,233,713)	86,730,386
Zakat for the year	(51,978,118)	(40,933,271)
Total net profit for the year	701,795,504	393,825,494

32- CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

33- SIGNIFICANT EVENT

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.

As of the date of preparing these consolidated financial statements for the year ended 31 December 2020, 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.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 DECEMBER 2020

34- EVENTS AFTER THE REPORTING DATE

The General Assembly in extraordinary general meeting held on 04 Rajab 1442H (corresponding to 16 February 2021) approved to distribute dividends of SR 3.33 per share totaling to SR 400,000,000.

No other events have arisen subsequent to 31 December 2020 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2020.

35- CONTINGENT LIABILITIES

	31 December 2020 SR	31 December 2019 SR
Letters of guarantees	205,670,965	247,219,506

36- APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 03 Rajab 1442H (corresponding to 15 February 2021).

37- COMPARATIVE FIGURES

Certain of the prior year's amounts have been reclassified to conform with the presentation in the current year.

As at 31 December 2019, the Group has reclassified the accumulated unrealized actuarial gains relating to end of service indemnities amounting to SR 28,204,000 from retained earnings to other reserve presented as a separate line item under equity.

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



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**Independent auditor's review report on the interim condensed consolidated financial statements
To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi 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	30 June 2021 SR	31 June 2020 SR
Goods or services transferred to customers:		
- 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

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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	Vehicles	Total
	SR	SR	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

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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.

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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.

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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 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.

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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.



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