

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Internet and Communication Services Company – a Saudi Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

for Ernst & Young Professional Services

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

Riyadh: 23 Ramadan 1443
(24 April 2022)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH

	Note	Three-months period ended 31 March 2022 SR	Three-months period ended 31 March 2021 SR
Revenue, net	4, 11	2,418,476,914	1,866,793,140
Cost of revenue		(1,924,945,411)	(1,477,414,816)
GROSS PROFIT		493,531,503	389,378,324
General and administration expenses		(120,417,289)	(94,927,302)
Selling and distribution expenses		(60,169,360)	(70,157,310)
TOTAL OPERATING EXPENSES		(180,586,649)	(165,084,612)
OPERATING PROFIT		312,944,854	224,293,712
Finance income, net		4,157,235	126,460
Other loss		(651,761)	(485,351)
TOTAL OTHER INCOME / (EXPENSES)		3,505,474	(358,891)
PROFIT BEFORE ZAKAT		316,450,328	223,934,821
Zakat	8	(33,539,756)	(18,733,075)
NET PROFIT FOR THE PERIOD		282,910,572	205,201,746
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of end of service indemnities	9	(27,673,786)	79,266,000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		255,236,786	284,467,746
EARNINGS PER SHARE (EPS):			
Basic EPS from net profit for the period	17	2.38	1.71
Diluted EPS from net profit for the period	17	2.36	1.71


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2022

	Note	31 March 2022 SR	December 2021 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,803,268,817	1,607,556,524
Accounts receivable	10	3,239,996,040	3,020,557,307
Prepayments and other assets		151,382,561	287,976,272
Contract assets	5,10	1,584,061,036	1,256,218,688
Inventories		54,359,431	273,986,156
TOTAL CURRENT ASSETS		6,833,067,885	6,446,294,947
NON-CURRENT ASSETS			
Contract costs		22,723,126	23,128,803
Intangible assets		100,182,665	98,209,814
Property and equipment		516,236,921	550,611,682
Right-of-use assets	6	52,270,736	54,502,773
TOTAL NON-CURRENT ASSETS		691,413,448	726,453,072
TOTAL ASSETS		7,524,481,333	7,172,748,019
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	10	1,938,182,770	1,931,349,611
Deferred revenue	10	2,286,340,305	2,276,522,431
Contract liabilities	10	364,481,578	354,116,804
Zakat payable	8	105,809,193	72,269,437
TOTAL CURRENT LIABILITIES		4,694,813,846	4,634,258,283
NON-CURRENT LIABILITIES			
Lease liabilities	7	28,851,437	31,335,206
End of service indemnities	9	266,304,477	236,586,315
TOTAL NON-CURRENT LIABILITIES		295,155,914	267,921,521
TOTAL LIABILITIES		4,989,969,760	4,902,179,804
EQUITY			
Share capital	15	1,200,000,000	1,200,000,000
Statutory reserve		203,471,411	203,471,411
Other reserves		69,466,818	88,434,032
Treasury shares	16	(181,200,000)	(181,200,000)
Retained earnings		1,242,773,344	959,862,772
TOTAL EQUITY		2,534,511,573	2,270,568,215
TOTAL LIABILITIES AND EQUITY		7,524,481,333	7,172,748,019


Chief Financial Officer


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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
31 MARCH 2022

	Share capital SR	Statutory reserve SR	Other reserves SR	Treasury Shares SR	Retained earnings SR	Total SR
Balance as at 1 January 2022	1,200,000,000	203,471,411	88,434,032	(181,200,000)	959,862,772	2,270,568,215
Net profit for the period	-	-	-	-	282,910,572	282,910,572
Other comprehensive loss for the period	-	-	(27,673,786)	-	-	(27,673,786)
Other reserve	-	-	8,706,572	-	-	8,706,572
Balance as at 31 March 2022	1,200,000,000	203,471,411	69,466,818	(181,200,000)	1,242,773,344	2,534,511,573
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	-	-	-	-	205,201,746	205,201,746
Other comprehensive income for the period	-	-	79,266,000	-	-	79,266,000
Other reserve	-	-	108,008	-	-	108,008
Dividends (Note 15)	-	-	-	-	(400,000,000)	(400,000,000)
Balance as at 31 March 2021	1,200,000,000	120,179,550	72,522,739	-	415,437,770	1,808,140,059


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
31 MARCH 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Net profit before zakat	316,450,328	223,934,821
Adjustments for:		
Depreciation, and amortization - property and equipment and intangibles	50,992,817	27,550,982
Depreciation - right of use assets	4,226,181	4,406,471
Impairment on accounts receivables and contract assets	2,323,464	28,375,390
End of service indemnities expense	14,411,519	15,331,801
Share based payment expense	8,706,572	216,016
Provision / (reversal) of future contract losses	19,233,554	(187,342)
Reversal against advances to suppliers provision	(140,363)	(550,000)
Provision for slow moving and obsolete inventories	6,675,596	18,071,968
Finance charges	207,731	301,564
Finance income	(4,367,310)	(428,023)
	418,720,089	317,023,648
Changes in operating assets and liabilities:		
Accounts receivable	(221,762,197)	(23,463,637)
Prepayments and other assets	137,256,076	22,238,060
Contract assets	(327,842,348)	(1,406,848)
Inventories	212,951,129	(14,783,411)
Contract costs	405,677	(16,269,375)
Accounts payable and accruals	(16,451,973)	108,061,952
Deferred revenue	9,817,874	(51,661,993)
Contract liabilities	10,364,774	32,210,416
Cash flows generated from operating activities	223,459,101	371,948,812
End of service indemnities paid	(12,367,143)	(11,556,570)
Finance income received, net	3,845,308	416,613
Net cash flow generated from operating activities	214,937,266	360,808,855
INVESTING ACTIVITY		
Purchase of property, equipment and intangible assets	(18,590,907)	(41,438,883)
Net cash used in investing activity	(18,590,907)	(41,438,883)
FINANCING ACTIVITIES		
Lease liabilities payments	(634,066)	(14,029,099)
Dividends paid	-	(400,000,000)
Net cash used in financing activities	(634,066)	(414,029,099)
Net increase / (decrease) in cash and cash equivalents	195,712,293	(94,659,127)
Cash and cash equivalents at the beginning of the period	1,607,556,524	993,473,644
Cash and cash equivalents at the ending of the period	1,803,268,817	898,814,517


Chief Financial Officer


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Authorized Board Member

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

1. ACTIVITIES

Arabian Internet and Communication Services Company (“the Company”) is a Saudi Joint Stock Company registered in Saudi Arabia under commercial registration numbered 1010183482 and dated 8 Dhul-Qadah 1423H (corresponding to 11 January 2003). The registered office is located at Riyadh, Olaya street, P.O. Box 50, Riyadh 11372, Kingdom of Saudi Arabia (“KSA”). During December 2020, the Company changed its legal form from a limited liability company to a Saudi Joint Stock Company (note 15). During September 2021, the Company has completed its initial public offering and its share was traded on September 30, 2021 (note 15).

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

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
Leading Solutions Training Center	1010771115	03/06/ 1443H	Riyadh
Arabian Internet and Communication Services Company	2051057553	15/07/1435H	Al-Khobar
Arabian Internet and Communication Services Company	2055022604	15/07/1435H	Al-Jubail
Arabian Internet and Communication Services Company	4030271030	15/07/1435H	Jeddah

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

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

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

b. Sanad AlTeqany For Commercial Services Company (Owned by One Person) is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010766752 issued in Riyadh on 18 Jumada Alawal 1443H (corresponding to 22nd December 2021) with a capital of SR 5 Million. The subsidiary has 500,000 shares with a nominal value of SR 10 per share and it is fully owned by the Company. The principal activities of the subsidiary are providing a general admin and support services, searching employees for jobs hiring either by direction or tests and temporary employment agencies of Saudi individuals activities.

The Company and the subsidiaries (together the “Group”) immediate and ultimate controlling party is Saudi Telecom Company (“STC”).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in KSA and other standards and pronouncements that are issued by the 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 annual consolidated 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.

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

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

There are no new standards or interpretations with application date effective on 1 January 2022. There are amendments to the standards that come into effect at 1 January 2022, but they do not have any material impact on the Group interim condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

4. REVENUE, NET

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

	31 March 2022 SR	31 March 2021 SR
Core ICT Services	1,461,336,929	1,008,889,982
IT Managed and Operational Services	529,559,445	466,803,083
Digital Services	427,580,540	391,100,075
	2,418,476,914	1,866,793,140
Type of customers		
Sell through STC and sell to direct customers (STC is not the end customer)	1,421,844,910	1,241,176,374
Sell to STC (STC is the end customer)	996,632,004	625,616,766
	2,418,476,914	1,866,793,140
Timing of revenue recognition		
Goods or services transferred to customers:		
- over time	2,267,112,867	1,769,728,852
- at a point in time	151,364,047	97,064,288
	2,418,476,914	1,866,793,140

5. CONTRACT ASSETS

	31 March 2022 SR	31 December 2021 SR
Gross contract assets	1,613,620,726	1,264,069,299
Allowance for impairment	(29,559,690)	(7,850,611)
	1,584,061,036	1,256,218,688

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

	2022 SR	2021 SR
Balance as at 1 January	7,850,611	5,957,205
Charge / (reversal) for the period	21,709,079	(1,924,687)
Balance as at 31 March	29,559,690	4,032,518

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

6. RIGHT OF USE ASSETS

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

	Land and Buildings SR	Vehicles SR	Total SR
Balance as at 1 January 2021	71,818,593	114,118	71,932,711
Depreciation charge for the year	(17,315,820)	(114,118)	(17,429,938)
Balance as at 31 December 2021	54,502,773	-	54,502,773
Additions to right of use assets	2,028,845	-	2,028,845
Depreciation charge for the period	(4,260,882)	-	(4,260,882)
Balance as at 31 March 2022	52,270,736	-	52,270,736

Right of use assets are depreciated as follows:

Leasehold land	15 years
Buildings	4 years
Vehicles	3 years

7. LEASE LIABILITIES

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

Maturity analysis of undiscounted cash flows	31 March 2022 SR	31 December 2021 SR
Less than one year	28,083,858	29,443,672
More than one year	29,601,081	33,417,569
Total undiscounted liabilities	57,684,939	62,861,241

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

	31 March 2022 SR	31 December 2021 SR
Current portion (included as part of accounts payable and accruals)	28,287,261	29,256,240
Non-current portion	28,851,437	31,335,206
Total	57,138,698	60,591,446

8. ZAKAT

Effective 1 January 2021, and based on approval from ZATCA, the Company started filing its Zakat returns separately, and as a result, it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of ZATCA. The Company's Zakat provision for the three months period ended 31 March 2022 amounted to SR 33.5 million (31 March 2021: SR 18.7 million) and is charged to the interim condensed consolidated statement of profit or loss.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

9. END OF SERVICE INDEMNITIES

Calculation of end of service benefits provision as at 31 March 2022 is determined using the most recent actuarial valuation as 31 March 2022. Further, the Group has recorded a net actuarial (loss) / gain of SR (27.7) million (31 March 2021: SR 79.3 million) in the interim condensed consolidated statement of comprehensive income for the three months period ended 31 March.

10. RELATED PARTY INFORMATION

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

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

During the three-months period, the Group entered into the following significant transactions with its Parent Company and its subsidiaries:

	31 March 2022	31 March 2021
	SR	SR
Sales of goods and services (Parent Company and its subsidiaries) (a)	1,990,520,224	1,485,145,420
Purchases (Parent Company and its subsidiaries)	83,524,475	88,910,220
Long term incentive expense charged by Parent Company	240,500	108,008

(a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 993.8 million (31 March 2021: SR 859.5 million) for which Parent Company is not the end customer.

(b) Revenue related to direct transactions with government and government related entities for the three-months ended 31 March 2022 is SR 292.7 million (31 March 2021: SR 249.1 million).

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

	31 March 2022	31 December 2021
	SR	SR
Accounts receivable: gross	2,415,132,254	2,388,079,460
Contract assets	1,218,814,857	846,921,803
Other assets: receivable from related parties	27,383,068	8,516,330
Deferred revenue	(2,101,676,175)	(2,075,342,306)
Contract liabilities	(341,046,352)	(342,315,572)
Accrued expenses	(189,750,333)	(132,994,447)
Amounts due to related parties	(87,441,896)	(59,265,811)
Accrued connectivity charges	(104,009,000)	(51,422,467)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

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 below:

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

There are no intersegments revenue for the period ended 31 March 2022 (31 March 2021: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

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

	Three-months period ended 31 March	
	2022	2021
Core ICT Services	1,461,336,929	1,008,889,982
IT Managed and Operational Services	529,559,445	466,803,083
Digital Services	427,580,540	391,100,075
Total revenue	2,418,476,914	1,866,793,140
Total cost of revenue	(1,924,945,411)	(1,477,414,816)
Total operating expenses	(180,586,649)	(165,084,612)
Total non-operating income /(expenses)	3,505,474	(358,891)
Zakat	(33,539,756)	(18,733,075)
Net profit	282,910,572	205,201,746

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 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 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.

31 March 2022	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	NA	1,909,895,509	-	1,909,895,509
Lease liabilities	1.49% to 3.25%	28,083,858	29,601,081	57,684,939
31 December 2021	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	NA	1,902,093,371	-	1,902,093,371
Lease liabilities	1.49% to 3.25%	29,443,672	33,417,569	62,861,241

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit risk management

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

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

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

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

Trade receivables and contract assets

	31 March 2022 SR	31 March 2021 SR
(Reversal) impairment charge on accounts receivable	(19,385,615)	30,300,077
Impairment (reversal) on contract assets (note 5)	21,709,079	(1,924,687)
Total	<u>2,323,464</u>	<u>28,375,390</u>

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 represent 10% (31 December 2021: 8%) of the total accounts receivable balance excluding Parent Company and its subsidiaries balances

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022**

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Capital management

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

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

13. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

14. CONTINGENT LIABILITIES

	31 March 2022	31 December 2021
	SR	SR
Letters of guarantee	273,845,582	271,433,635
Letters of credit	45,710,395	-

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

15. 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 Million to SR 1,200 Million (divided into 120 Million 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 cash dividends of SR 3.33 per share, totaling to SR 400 Million. Further, the Company's Board of Directors recommended in its meeting held on 14 Rajab 1443H (corresponding to 15 February 2022) to distribute cash dividends of SR 4 per share, totaling to SR 475.2 million.

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

16. TREASURY SHARES

On 29 September 2021, the Company purchased 1.2 Million of its own shares from the Parent Company at cost of SR 151 per share, for cash consideration of SR 181 million. These shares are maintained by the Company as treasury shares in order to support its future employees long term incentive plans.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
31 MARCH 2022

17. EARNINGS PER SHARE

	Three-months period ended 31 March	
	2022	2021
Net profit for the period 'SR'	282,910,572	205,201,746
Weighted average number of shares for the purpose of basic earnings	118,800,000	120,000,000
Weighted average number of shares for the purpose of diluted earnings	120,000,000	120,000,000
Basic Earnings per share	2.38	1.71
Diluted Earnings per share	2.36	1.71

18. IMPACT OF CORONAVIRUS

The Group's operations and financial results have not incurred significant impact from the virus outbreak, taking into consideration the lower impact of the pandemic over the operations and activities of companies operating in telecom sector.

The impact of the pandemic on the Group's operations and financial results was assessed using judgments and assumptions that contain sources of uncertainty, as it depends on several future factors and developments that cannot be reliably forecasted.

19. EVENTS AFTER THE REPORTING DATE

On 3 Ramadan 1443H (corresponding to 4th April 2022), the Company has signed a binding offer relating to an acquisition of 89.49% ownership of Giza Systems Company, in addition to 34% of Giza Arabia, a subsidiary of Giza Systems Company. The acquisition is based on an "Enterprise Value" of the acquiree amounting to USD 158 million (SR 592.5 million approximately), will be paid in cash.

Other than above, no events have arisen subsequent to 31 March 2022 and before the issuance of the interim condensed consolidated financial statements that could have a significant effect on the interim condensed consolidated financial statements as at 31 March 2022.

20. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements for the three-months period ended 31 March 2022 were approved by the audit committee (delegated by the Company's Board of Directors) at its meeting held on 18 Ramadan 1443H (corresponding to 19 April 2022).