

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
**FOR THE THREE AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2023**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023

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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 30 September 2023 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Board of directors 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

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)



Riyadh: 15 Rabi Al-Thani 1445H
(30 October 2023)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three –months period ended 30		Nine –months period ended 30	
		September		September	
		2023	2022	2023	2022
Revenues	4,13	2,794,638	2,039,154	8,172,199	6,367,210
Cost of revenues		(1,998,952)	(1,540,189)	(6,038,685)	(4,869,675)
GROSS PROFIT		795,686	498,965	2,133,514	1,497,535
General and administration expenses		(193,914)	(144,278)	(523,438)	(406,723)
Selling and distribution expenses		(163,337)	(41,308)	(427,418)	(170,964)
OPERATING PROFIT		438,435	313,379	1,182,658	919,848
Finance income		29,969	17,117	104,840	28,765
Finance cost		(15,677)	(5,111)	(57,433)	(5,730)
Share in results from an equity accounted investee	7	(176)	-	(43)	-
Other expenses, net		(14,216)	(2,099)	(47,457)	(3,022)
PROFIT BEFORE ZAKAT AND INCOME TAX		438,335	323,286	1,182,565	939,861
Zakat and income tax	9	(54,004)	(23,398)	(153,627)	(83,969)
NET PROFIT FOR THE PERIOD		384,331	299,888	1,028,938	855,892
NET PROFIT ATTRIBUTABLE TO:					
Equity holders of the Parent Company		386,645	299,888	1,030,140	855,892
Non-controlling interests		(2,314)	-	(1,202)	-
		384,331	299,888	1,028,938	855,892
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY:					
Basic	18	3.25	2.52	8.66	7.20
Diluted	18	3.22	2.50	8.58	7.13


Chief Financial Officer


Chief Executive Officer


Authorized Board Member


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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

Notes	Three –months period ended 30 September		Nine –months period ended 30 September	
	2023	2022	2023	2022
NET PROFIT FOR THE PERIOD	384,331	299,888	1,028,938	855,892
OTHER COMPREHENSIVE (LOSS) / INCOME				
<i>Item that will not be reclassified subsequently to the profit or loss:</i>				
Re-measurement of end of service indemnities	10 (3,320)	1,499	(26,386)	41
<i>Item that may be reclassified subsequently to the profit or loss:</i>				
Foreign currency translation differences	873	-	(54,933)	-
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME	(2,447)	1,499	(81,319)	41
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	381,884	301,387	947,619	855,933
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company	384,094	301,387	952,612	855,933
Non-controlling interests	(2,210)	-	(4,993)	-
	381,884	301,387	947,619	855,933


Chief Financial Officer


Chief Executive Officer


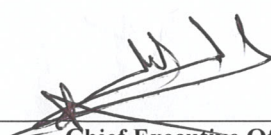


Authorized Board Member

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,949,260	543,976
Short term murabaha	5	650,000	2,700,800
Accounts receivable		4,289,955	4,344,696
Prepayments and other assets		392,729	194,780
Contract assets	6	2,040,059	1,276,580
Inventories		267,607	322,437
TOTAL CURRENT ASSETS		9,589,610	9,383,269
NON-CURRENT ASSETS			
Other non-current assets	7	134,769	12,377
Intangible assets and goodwill		634,753	415,415
Property and equipment		411,794	473,053
Right-of-use assets		59,254	40,970
TOTAL NON-CURRENT ASSETS		1,240,570	941,815
TOTAL ASSETS		10,830,180	10,325,084
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities		2,835,951	2,623,090
Deferred revenue		2,977,909	3,265,701
Contract liabilities		500,902	487,785
Zakat and income tax payable	9	183,088	135,882
Bank overdraft and borrowings	11	191,830	194,388
TOTAL CURRENT LIABILITIES		6,689,680	6,706,846
NON-CURRENT LIABILITIES			
Lease liabilities	8	19,306	15,846
End of service indemnities	10	422,436	260,822
Borrowings	11	499,065	502,014
TOTAL NON-CURRENT LIABILITIES		940,807	778,682
TOTAL LIABILITIES		7,630,487	7,485,528
EQUITY			
Share capital	16	1,200,000	1,200,000
Statutory reserve		308,758	308,758
Other reserves		(46,808)	24,850
Treasury shares	17	(154,444)	(155,973)
Retained earnings		1,867,504	1,432,245
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		3,175,010	2,809,880
Non-controlling interests		24,683	29,676
TOTAL EQUITY		3,199,693	2,839,556
TOTAL LIABILITIES AND EQUITY		10,830,180	10,325,084
			
Chief Financial Officer			
	Chief Executive Officer		
		Authorized Board Member	

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Equity attributable to the equity holders of the Parent Company						Non-controlling Interest	Total
	Share capital	Statutory reserve	Other reserves	Treasury Shares	Retained earnings	Total		
Balance as at 1 January 2023	1,200,000	308,758	24,850	(155,973)	1,432,245	2,809,880	29,676	2,839,556
Net profit/(Loss) for the period	-	-	-	-	1,030,140	1,030,140	(1,202)	1,028,938
Other comprehensive loss for the period	-	-	(77,528)	-	-	(77,528)	(3,791)	(81,319)
Total comprehensive income / (loss)	-	-	(77,528)	-	1,030,140	952,612	(4,993)	947,619
Dividends (note 16)	-	-	-	-	(594,881)	(594,881)	-	(594,881)
Share based payments	-	-	5,870	1,529	-	7,399	-	7,399
Balance as at 30 September 2023	1,200,000	308,758	(46,808)	(154,444)	1,867,504	3,175,010	24,683	3,199,693
Balance as at 1 January 2022	1,200,000	203,471	88,434	(181,200)	959,863	2,270,568	-	2,270,568
Net profit for the period	-	-	-	-	855,892	855,892	-	855,892
Other comprehensive income for the period	-	-	41	-	-	41	-	41
Total comprehensive income	-	-	41	-	855,892	855,933	-	855,933
Dividends (note 16)	-	-	-	-	(475,200)	(475,200)	-	(475,200)
Share based payments	-	-	26,507	123	-	26,630	-	26,630
Balance as at 30 September 2022	1,200,000	203,471	114,982	(181,077)	1,340,555	2,677,931	-	2,677,931



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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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

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Nine –months period ended 30 September 2023	Nine –months period ended 30 September 2022
OPERATING ACTIVITIES		
Net profit before zakat and income tax	1,182,565	939,861
Adjustments for:		
Depreciation and amortization	208,625	166,211
Expected credit losses	202,503	563
End of service indemnities expense	68,003	46,848
Share based payment expense	7,399	26,630
Reversal of provision against advances to suppliers	(1,554)	(470)
Unrealized exchange losses	16,563	-
Reversal for slow moving and obsolete inventories	(6,109)	(400)
Share in results from an equity accounted investee	43	-
Finance charges	57,433	5,730
Finance income	(104,840)	(28,765)
	<u>1,630,631</u>	<u>1,156,208</u>
Changes in operating assets and liabilities:		
Accounts receivable	11,421	(258,167)
Prepayments and other assets	(136,121)	123,122
Contract assets	(579,671)	57,701
Inventories	60,940	225,263
Accounts payable, accruals and other liabilities	30,559	122,831
Deferred revenue	(332,165)	418,407
Contract liabilities	13,117	21,703
	<u>698,711</u>	<u>1,867,068</u>
Cash flows generated from operating activities		
Zakat and income taxes paid	(102,991)	(63,430)
End of service indemnities paid	(30,453)	(48,313)
Finance income received	112,617	22,295
	<u>677,884</u>	<u>1,777,620</u>
Net cash flow generated from operating activities		
INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(88,025)	(72,795)
Short term murabaha, net	2,050,800	(1,800,000)
Investment in financial assets	(121,875)	-
Acquisition of a subsidiary, net of cash acquired	(415,083)	-
	<u>1,425,817</u>	<u>(1,872,795)</u>
Net cash generated from / (used in) investing activities		
FINANCING ACTIVITIES		
Lease liabilities payments	(21,549)	(19,129)
Dividends paid	(594,881)	(475,200)
Bank overdraft and borrowings repayments	(13,942)	-
Finance cost paid	(48,252)	-
Proceeds from borrowing	-	498,816
	<u>(678,624)</u>	<u>4,487</u>
Net cash (used in) /generated from financing activities		
Net increase / (decrease) in cash and cash equivalents	1,425,077	(90,688)
Cash and cash equivalents at the beginning of the period	543,976	1,607,557
Net foreign exchange difference from foreign operations	(19,793)	-
	<u>1,949,260</u>	<u>1,516,869</u>
		<u>1,516,869</u>


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES (continued)

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

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

(*) Acquisition of a subsidiary – Contact Center Company (“CCC”)

On 12 Ramadan 1444 H, (Corresponding to 3 April 2023) the Company acquired 100% of the equity interest in Contact Center Company (referred as “CCC”) for SR 513.7 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology.

The Company has concluded the acquisition as a business as per “IFRS 3 - Business Combinations” and accordingly accounted for the transaction using the acquisition method as per IFRS 3 with the Company being the acquirer and CCC being the acquiree. The Company engaged an independent expert to determine the fair value of the assets and liabilities of CCC as part of the purchase price allocation exercise. The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of CCC with those of the Group. The fair value of identifiable assets and liabilities are as follows:

	As at 3rd April 2023
Assets acquired	
Contract assets	214,938
Accounts receivable	126,530
Intangible assets arising from acquisition	146,200
Cash and cash equivalents	98,617
Prepayments and other assets	68,050
Right-of-use assets	28,717
Intangible assets	14,213
Property and equipment	7,589
Total assets	704,854
Liabilities assumed	
Accounts payable and accruals	178,062
End of service indemnities	95,870
Contract liabilities	44,373
Zakat and income tax provision	16,703
Total liabilities	335,008
Net identifiable assets as at acquisition date	369,846
Goodwill arising from the acquisition	143,854
Total purchase consideration	513,700

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES (continued)

Intangible assets arising from acquisition

Below are the intangibles assets recognised along with the valuation techniques used for measuring the relevant fair value:

Intangible assets	Amount recognized on acquisition SR'000	Valuation approach
Brand name	61,000	Relief from royalty
Customer relationship	56,000	Multiperiod excess earnings method (MEEM)
Order Backlog	23,000	Multiperiod excess earnings method (MEEM)
Software	6,200	Incremental cost approach
Total	146,200	

Acquisition related costs of SR 7.35 million is expensed to the interim condensed consolidated statement of profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

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

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

Basis of measurement and functional currency

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

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

2.2 Significant accounting policies

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

4. REVENUES

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

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
Core ICT Services	1,474,465	1,013,876	4,410,673	3,406,231
IT Managed and Operational Services	896,600	585,838	2,396,290	1,701,325
Digital Services	423,573	439,440	1,365,236	1,259,654
	2,794,638	2,039,154	8,172,199	6,367,210
Type of customers				
Sell through STC and sell to direct customers (STC is not the end customer)	1,818,254	1,461,861	5,454,242	4,291,005
Sell to STC (STC and STC subsidiaries are the end customer)	976,384	577,293	2,717,957	2,076,205
	2,794,638	2,039,154	8,172,199	6,367,210
Timing of revenue recognition				
Goods or services transferred to customers:				
- over time	2,344,707	1,893,027	7,125,310	5,964,656
- at a point in time	449,931	146,127	1,046,889	402,554
	2,794,638	2,039,154	8,172,199	6,367,210
Principal vs Agent				
Revenue as principal	2,492,119	1,851,121	7,457,939	5,834,282
Revenue as agent	302,519	188,033	714,260	532,928
	2,794,638	2,039,154	8,172,199	6,367,210

5. SHORT TERM MURABAHA

These represent the murabaha deposits placed with various local banks carry a profit rate of 5.8% to 6.2% (31 December 2022: 3.1% to 5.4%) per annum. The maturity date for all these deposits are more than three months and less than one year.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

6. CONTRACT ASSETS

	<u>30 September 2023</u>	<u>31 December 2022</u>
Gross contract assets	2,104,519	1,308,384
Allowance for impairment	<u>(64,460)</u>	<u>(31,804)</u>
	<u>2,040,059</u>	<u>1,276,580</u>

The movements in the allowance for impairment related to contract assets for the nine-months period ended 30 September were as follows:

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	31,804	7,851
Charge for the period	<u>32,656</u>	<u>20,142</u>
Balance as at 30 September	<u>64,460</u>	<u>27,993</u>

7. OTHER NON CURRENT ASSETS

	Notes	<u>30 September 2023</u>	<u>31 December 2022</u>
Financial assets measured at fair value through profit or loss	7.1	121,875	-
Contract costs	7.2	6,354	7,879
Investment in an equity accounted investee	7.3	3,271	4,078
Deferred tax assets, net		<u>3,269</u>	<u>420</u>
		<u>134,769</u>	<u>12,377</u>

7.1 During the period, the Company has invested SR 121.9 million in an equity instrument and the investment was classified as fair value through profit or loss. The Company does not have any significant influence over the investee.

7.2 This represents the cost to fulfil a contract capitalized under IFRS 15 which will be subsequently amortized to interim condensed consolidated statement of profit or loss.

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

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

	<u>2023</u>
Balance as at 1 January	4,078
Share of result during the period	(43)
Currency translation	<u>(764)</u>
Balance as at 30 September	<u>3,271</u>

8. LEASE LIABILITIES

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

Maturity analysis of undiscounted cash flows	<u>30 September 2023</u>	<u>31 December 2022</u>
Less than one year	39,722	31,858
More than one year	<u>20,282</u>	<u>16,908</u>
Total undiscounted liabilities	<u>60,004</u>	<u>48,766</u>

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8. LEASE LIABILITIES (continued)

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

	<u>30 September 2023</u>	<u>31 December 2022</u>
Current portion (included as part of accounts payable, accruals and other liabilities)	36,536	27,759
Non-current portion	19,306	15,846
	<u>55,842</u>	<u>43,605</u>

9. ZAKAT AND INCOME TAX

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

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

Effective from 1st January 2021, and based on approval from ZATCA, the Company started filing its Zakat returns separately and submitted all zakat returns until the end of 2022, with payment of zakat due based on those returns, and accordingly the company received zakat certificates for those years. Further, 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 has not yet received an assessment for the years 2021 and 2022 from ZATCA.

The Group's Zakat provision for the three-month and nine-month periods ended 30 September 2023 amounted to SR 50.3 million and SR131.4 million respectively (30 September 2022: three-months SR 23.40 million and nine-months SR 83.97 million) and is charged to the interim condensed consolidated statement of profit or loss.

The Group's Income tax for the three-month and nine-month periods ended 30 September 2023 amounted to SR 3.7 million and SR 22.2 million respectively (30 September 2022: Nil) and is charged to the interim condensed consolidated statement of profit or loss.

10. END OF SERVICE INDEMNITIES

Calculation of end of service benefits provision as at 30 September 2023 is determined using the most recent actuarial valuation. Further, the Group has recorded a net actuarial loss of SR 3.3 million for the three-month period ended and SR 26.39 million for the nine-month period ended 30 September 2023 (30 September 2022: net actuarial gain for three-months SR 1.49 million and nine-months of SR 0.04 million) in the interim condensed consolidated statement of comprehensive income.

11. BORROWINGS

	<u>30 September 2023</u>	<u>31 December 2022</u>
Bank overdrafts (note 11.1)	159,496	178,967
Others (note 11.2)	32,334	15,421
Total	<u>191,830</u>	<u>194,388</u>
Long term loans		
Long term loan (note 11.3)	499,065	498,878
Long term loan	-	3,136
Total	<u>499,065</u>	<u>502,014</u>

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11. BORROWINGS (Continued)

11.1 This represents the unsecured overdraft obtained by Giza Group in multiple currencies. The interest rate on USD currency is from 8% to 8.75% annually, interest rate on SR is 13.75% annually, interest rate on Euro is 8.25% annually, while the interest rate on EGP currency is from 20.25% to 22% annually. These overdrafts have multiple date of borrowings and multiple date of settlement. These overdraft balances cannot be legally offset with the cash and cash equivalents.

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

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

12. RELATED PARTY INFORMATION

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

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

During the three-month and nine-month periods ended 30 September, the Group entered into the following significant transactions with STC and its subsidiaries:

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
Sales of goods and services (STC) (a)	1,534,310	1,477,774	5,120,413	4,869,137
Sales of goods and services (STC's subsidiaries)	138,924	63,834	286,537	149,904
Purchases (STC)	107,406	99,365	314,279	311,082
Purchase (STC's subsidiaries)	11,884	24,108	47,099	48,383
Long term incentive expense charged by STC	-	91	509	706

(a) Sales of goods and services to STC for the nine month periods ended 30 September 2023 includes SR 2,689 (30 September 2022: SR 2,943 million) for which Parent Company is not the end customer.

(b) Revenue related to direct transactions with government and government related entities for the nine month periods ended 30 September 2023 is SR 1,211 million (30 September 2022: SR 1,072 million).

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12. RELATED PARTY INFORMATION (Continued)

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

	<u>30 September 2023</u>	<u>31 December 2022</u>
STC:		
Accounts receivable: gross	2,315,577	2,441,803
Contract assets	993,680	627,912
Other assets: receivables	7,943	8,047
Deferred revenue	(2,350,988)	(2,648,834)
Contract liabilities	(273,859)	(333,027)
Accrued expenses	(205,417)	(175,667)
Amounts due to	(45,524)	(223,566)
STC subsidiaries:		
Accounts receivable: gross	310,884	142,699
Contract assets	89,916	64,170
Deferred revenue	(76,794)	(40,260)
Contract liabilities	(1,211)	(890)
Amounts due to	(50,470)	(58,326)

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

13. SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is engaged in Information Communication and Technology (ICT) services and some other related services and products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Outside of the Kingdom, the Group operates through its subsidiaries. Revenue is distributed to an operating segment based on the entity of the Group. Sales between segments are calculated at normal business transaction prices.

The disclosed operating segments exceeded the 75% of total external Group revenue threshold and therefore all other operating segments are combined and disclosed as "Other segments"

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
Solution by STC	2,186,436	2,039,154	6,733,947	6,367,210
Giza Group	433,247	-	1,116,022	-
Other segments	242,505	1,973	468,341	9,648
Elimination	(67,550)	(1,973)	(146,111)	(9,648)
Total revenue (note 4)	2,794,638	2,039,154	8,172,199	6,367,210
Total cost of revenue	(1,998,952)	(1,540,189)	(6,038,685)	(4,869,675)
Total operating expenses	(357,251)	(185,586)	(950,856)	(577,687)
Total non-operating (expenses) / income	(100)	9,907	(93)	20,013
Zakat and tax charge (note 9)	(54,004)	(23,398)	(153,627)	(83,969)
Net profit for the period	384,331	299,888	1,028,938	855,892

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13. SEGMENT INFORMATION (Continued)

Net profit for Equity holders of the Parent Company	386,645	299,888	1,030,140	855,892
Net loss for non-controlling interests	(2,314)	-	(1,202)	-
Total net profit	384,331	299,888	1,028,938	855,892

Following is the gross profit analysis on a segment basis for the three-month and nine-month periods ended 30 September:

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
Solution by STC	688,133	497,913	1,827,581	1,493,550
Giza Group	66,172	-	234,766	-
Other segments	53,082	1,506	94,871	4,617
Elimination	(11,701)	(454)	(23,704)	(632)
Total gross profit	795,686	498,965	2,133,514	1,497,535

14. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

15. CONTINGENT LIABILITIES

	30 September 2023	31 December 2022
Letters of guarantee and credit	806,242	394,673

The above letters of guarantees and letter of credit were issued under a multi-purpose banking facility of SR 860 million (31 December 2022: SR 501 million).

The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims; however, adequate provision has been provided. Moreover, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.

16. SHARE CAPITAL AND DIVIDENDS

Authorized, issued and fully paid capital comprises:	30 September 2023	31 December 2022
120 million fully paid ordinary shares at SR 10 each	1,200,000	1,200,000

The Board of Directors proposed a dividend payment of SR 5 per share, totaling to SR 594.9 million (31 December 2022: SR 4 per share, totaling to SR 475.2 million). The proposed dividends were approved by the shareholders at the ordinary general assembly meeting held on 19 Shawwal 1444 H (corresponding to 9 May 2023). The dividend was paid on 28 May 2023.

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17. TREASURY SHARES AND LONG-TERM INCENTIVES PLAN

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

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

	2023	2022
Outstanding shares as at 1 January	1,032,933	1,200,000
Treasury shares re-issued	(10,126)	(167,067)
Treasury shares as at reporting date	1,022,807	1,032,933

18. EARNINGS PER SHARE

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
Net profit for the period attributable to equity holders of the Parent Company	386,645	299,888	1,030,140	855,892
Weighted average number of shares for the purpose of basic earnings	118,977	118,800	118,973	118,800
Weighted average number of shares for the purpose of diluted earnings	120,000	120,000	120,000	120,000
Basic Earnings per share	3.25	2.52	8.66	7.20
Diluted Earnings per share	3.22	2.50	8.58	7.13

19. FINANCIAL INSTRUMENTS

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 principal or the most advantageous market must be accessible by the Group.

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable input).

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19. FINANCIAL INSTRUMENTS (Continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
As at 30 September 2023					
<i>Financial Asset</i>					
Financial assets measured at fair value through profit or loss	121,875	-	-	121,875	121,875

Fair value of other financial instruments has been assessed as approximate to the carrying amounts due to frequent re-pricing or their short term nature.

Valuation technique and significant unobservable inputs

Type	Valuation technique	Significant unobservable input
Financial assets measured at fair value through profit or loss	This represents investments in non-quoted equity instruments. The investment was executed during the period. Accordingly, it is assumed that the cost of investment is approximately equal to it's the fair value.	Not applicable

20. COMPARATIVES

Certain comparative figures have been reclassified to conform with the classification used for the three-month and nine-month periods ended 30 September 2023.

(a) Update to the accounting treatment of software reselling agreements:

During the financial year ended 31 December 2022, the Group has updated the accounting treatment related to some software reselling agreements, which resulted in considering these contracts as an agent and showing them in net. The reclassification has no impact on previously disclosed net income, financial position or cash flow:

	Nine-months period ended 30 September 2022 as previously reported	Reclassification	Nine-months period ended 30 September 2022 as reclassified
Revenues	6,900,136	(532,926)	6,367,210
Cost of revenues	(5,402,601)	532,926	(4,869,675)
Gross profit	1,497,535	-	1,497,535

	Three-months period ended 30 September 2022 as previously reported	Reclassification	Three-months period ended 30 September 2022 as reclassified
Revenues	2,227,188	(188,034)	2,039,154
Cost of revenues	(1,728,223)	188,034	(1,540,189)
Gross profit	498,965	-	498,965

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20. COMPARATIVES (Continued)

(b) Reclassification related to Business combination:

During October 2022, the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems") and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group"). Details of this acquisition including fair values of the identifiable assets acquired and liabilities assumed on acquisition were disclosed in Note 1 of the Company's annual consolidated financial statements for the year ended 31 December 2022.

During the period, the Company recognized a liability amounting to SR 26.2 million, which is payable to the shareholders of Giza Systems as a result of acquisition. The payable amount was assessed to be the part of business combination, as a result the purchase consideration was increased by the same amount.

The following summarizes the changes in the comparative period numbers as reported in the audited financial statement for the year ended 31 December 2022:

	31 December 2022 as previously reported	Reclassifications	31 December 2022 revised
Intangible assets and Goodwill	372,668	42,747	415,415
Accounts payable and accruals	2,572,575	50,515	2,623,090
Other Reserve	9,138	15,712	24,850
Non-controlling interest	28,890	786	29,676
Provision for tax	24,265	(24,265)	-

21. EVENTS AFTER THE REPORTING DATE

On 15 October 2023, the Company signed the sale and purchase agreement ("SPA") with the Devoteam SAS (France) and ORTLL Investments limited ("the Sellers") to acquire 40% ownership in Devoteam Middle East ("DME") upon completing the due diligence. The SPA is subject to a number of pre closing conditions, including but not limited to obtaining the approval of the General Authority for Competition as well as other conditions of regulatory and commercial natures.

No other events have arisen subsequent to 30 September 2023 and before the issuance of the interim condensed consolidated financial statements could have a significant effect on the interim condensed consolidated financial statements as at 30 September 2023.

22. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements for the three-months and nine-months periods ended 30 September 2023 were approved by the audit committee (delegated by the Company's Board of Directors) at its meeting held on 11 Rabi Al-Thani 1445H (corresponding to 26 October 2023).