

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Arabian Internet and Communication Services Company and its Subsidiaries**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**To the Shareholders of Arabian Internet and Communication Services Company**  
**(A Saudi Joint Stock Company)**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Arabian Internet and Communication Services Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of 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 2022, 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 Chartered and Professional 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**To the Shareholders of Arabian Internet and Communication Services Company**  
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Acquisitions of two subsidiaries</b></p> <p>During the financial year ended 31 December 2022, the Group completed two acquisitions amounted to SR 465.6 million of a controlling interest in Giza Systems Company and Giza Arabia which resulted in goodwill of SR 193.4 million and intangible assets of SR 159.5 million.</p> <p>We considered this as a key audit matter due to the significant impact on consolidated balance sheet of the group and its result which is subject to management judgments and estimates in relation to the allocation of the purchase price to the assets and liabilities acquired. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify intangible assets and goodwill resulted from this acquisition. The management used an external valuator to determine the fair value.</p> <p>Please refer to note 1 and 5 for the related disclosure.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Inspected the sales and purchase agreements and the circulars issued to the shareholders in relation to these acquisitions to obtain an understanding of the transactions and the key terms.</li> <li>• Assessed whether the appropriate accounting treatment has been applied to these transactions.</li> <li>• Obtained copy of the third-party valuation report related to the acquisition.</li> <li>• Assessed the competence and experience of the valuator.</li> <li>• Engaged our internal specialists to assess the valuation methodologies used by management and the external valuation expert in the fair valuation of acquired assets and liabilities.</li> <li>• Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>The Group’s revenue mainly comprises of; Core ICT Services, IT Managed and Operational Services, and Digital Services totalling SR 8.8 billion for the year ended 31 December 2022. Also, the revenue from related parties for the year is considered significant, as compared to total revenue.</p> <p>We considered this as a key audit matter due to the estimates and judgements involved in the application of revenue recognition in accordance with IFRS 15. Additionally, there are certain inherent risks associated with revenue, which mainly relate to use of IT applications and customers’ long-term contracts, which have a material impact on the accuracy of recognizing and recording revenue.</p> <p>Refer to note 3 for the accounting policy relating to revenue recognition, notes 6 and 37 for the related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Involved our IT specialists in testing the design, implementation, and operating effectiveness of IT controls associated to revenue cycle.</li> <li>• Evaluated the Group’s accounting policy, as it specifically relates to revenue recognition for compliance with IFRS 15.</li> <li>• In relation to the criteria followed by the management to determine the level of revenue to be recognized, we have, on a sample basis performed the following: <ul style="list-style-type: none"> <li>- Evaluated management assessment related to identify performance obligation in line with the terms and conditions of contracts with customers;</li> <li>- Tested the transaction price to the underlying contracts, on sample basis, as executed with customers;</li> <li>- Evaluated management assessment to allocate transaction price that is allocated to identified performance obligation; and</li> <li>- Evaluated management assessment of revenue recognition timing, whether is “at a point in time” or “over period of time”.</li> </ul> </li> <li>• For revenue with related parties, in addition to the audit procedures mentioned above, we have assessed the process followed by the management in identifying, recording, and reporting revenue from related parties.</li> <li>• Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>

**INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**To the Shareholders of Arabian Internet and Communication Services Company**  
**(A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowance for expected credit losses of accounts receivable</b></p> <p>As at 31 December 2022, the Group’s accounts receivable balance amounted to SR 4.6 billion, against which an impairment allowance of SR 287 million is maintained.</p> <p>The Group assesses at each reporting date whether the accounts receivable are impaired. Management has applied an expected credit loss (“ECL”) model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of customers.</p> <p>The determination of allowance for expected credit losses of accounts receivable is based on certain assumptions that relate mainly to risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, market conditions, as well as forward looking estimates.</p> <p>We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model and the assessment of allowance for expected credit losses.</p> <p>Refer to notes 3 and 4 for the accounting and critical judgements policies relating to allowance for impairment of accounts receivable and note 14 for the related disclosures.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the process used by management in determining the allowance for expected credit losses of accounts receivable.</li> <li>• Assessed significant assumptions used in the ECL model’s calculation such as; forward-looking factors (that reflect the impact of future events) and macro-economic variables that are used to determine the allowance for expected credit losses.</li> <li>• Tested the completeness and mathematical accuracy of the ECL model.</li> <li>• Assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain customers’ categories.</li> <li>• Tested, on a sample basis, the calculation performed by management of allowance for expected credit losses for these categories of customers.</li> <li>• Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **To the Shareholders of Arabian Internet and Communication Services Company (A Saudi Joint Stock Company) (continued)**

#### **Other information included in The Group's 2022 Annual Report**

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **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 Chartered and Professional Accountants and the provisions of Companies' Law and 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, i.e., the Audit Committee, is 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:

- 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.

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of Arabian Internet and Communication Services Company  
(A Saudi Joint Stock Company) (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**


- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young  
Professional Services



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

Riyadh: 7 Sha'ban 1444H  
27 February 2023





**Arabian Internet and Communication Services Company and its Subsidiaries**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS****For the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2022	2021
Revenue, net	6	<b>8,805,090,852</b>	7,208,336,844
Cost of revenue		<b>(6,793,844,744)</b>	(5,500,370,118)
<b>GROSS PROFIT</b>		<b>2,011,246,108</b>	1,707,966,726
General and administration expenses	7	<b>(604,946,114)</b>	(462,101,019)
Selling and distribution expenses	8	<b>(246,068,817)</b>	(346,761,533)
<b>OPERATING PROFIT</b>		<b>1,160,231,177</b>	899,104,174
Other (expenses) / income, net	9	<b>(27,767,508)</b>	2,103,563
Finance income, net	10	<b>37,896,412</b>	2,817,446
Share of profit of associate	18	<b>1,138,884</b>	-
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>1,171,498,965</b>	904,025,183
Zakat and tax charge	11	<b>(117,785,768)</b>	(71,106,574)
<b>NET PROFIT</b>		<b>1,053,713,197</b>	832,918,609
<b>NET PROFIT ATTRIBUTABLE TO</b>			
Equity holders of the Parent Company		<b>1,052,869,093</b>	832,918,609
Non-controlling interests		<b>844,104</b>	-
		<b>1,053,713,197</b>	832,918,609
<b>Earnings per share attributable to Equity holders of the Parent Company:</b>			
Basic	34	<b>8.86</b>	6.96
Diluted	34	<b>8.77</b>	6.94



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

**Arabian Internet and Communication Services Company and its Subsidiaries**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2022	2021
<b>NET PROFIT</b>		<b>1,053,713,197</b>	832,918,609
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>			
<i>Item that will not be reclassified subsequently to consolidated profit or loss:</i>			
Remeasurement of end of service indemnities	27	<b>(4,225,664)</b>	85,644,949
<b>Total items that may not be reclassified subsequently to consolidated statement of profit or loss</b>		<b>(4,225,664)</b>	85,644,949
<i>Item that may be reclassified subsequently to consolidated profit or loss:</i>			
Foreign currency translation differences		<b>(82,087,270)</b>	-
<b>Total items that may be reclassified subsequently to consolidated statement of profit or loss</b>		<b>(82,087,270)</b>	-
<b>TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME</b>		<b>(86,312,934)</b>	85,644,949
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>967,400,263</b>	918,563,558
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		<b>970,325,518</b>	918,563,558
Non-controlling interests		<b>(2,925,255)</b>	-
		<b>967,400,263</b>	918,563,558

  
Chief Financial Officer  
Chief Executive Officer  
Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

# Arabian Internet and Communication Services Company and its Subsidiaries

(A Saudi Joint Stock Company)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2022	2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	543,975,536	1,607,556,524
Short term murabahas	13	2,700,800,000	-
Accounts receivable	14 & 37	4,344,695,974	3,020,557,307
Prepayments and other assets	15 & 37	194,779,896	287,976,272
Contract assets	16 & 37	1,276,580,067	1,256,218,688
Inventories	17	322,436,948	273,986,156
<b>TOTAL CURRENT ASSETS</b>		<b>9,383,268,421</b>	<b>6,446,294,947</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current assets	18	12,376,566	23,128,803
Intangible assets and goodwill	19	372,667,927	98,209,814
Property and equipment	20	473,053,143	550,611,682
Right of use assets	21	40,970,157	54,502,773
<b>TOTAL NON-CURRENT ASSETS</b>		<b>899,067,793</b>	<b>726,453,072</b>
<b>TOTAL ASSETS</b>		<b>10,282,336,214</b>	<b>7,172,748,019</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	22 & 37	2,572,574,644	1,931,349,611
Deferred revenue	23 & 37	3,265,700,868	2,276,522,431
Contract liabilities	24 & 37	487,784,622	354,116,804
Zakat and income tax payable	11	135,882,233	72,269,437
Bank overdraft and short term borrowing	25	194,387,595	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,656,329,962</b>	<b>4,634,258,283</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	26	15,845,573	31,335,206
End of service indemnities	27	260,822,151	236,586,315
Long term borrowing	25	502,014,450	-
Provision for tax	11	24,265,187	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>802,947,361</b>	<b>267,921,521</b>
<b>TOTAL LIABILITIES</b>		<b>7,459,277,323</b>	<b>4,902,179,804</b>
<b>EQUITY</b>			
Share capital	28	1,200,000,000	1,200,000,000
Statutory reserve	29	308,758,320	203,471,411
Other reserves	30	9,138,046	88,434,032
Treasury Shares	31	(155,972,883)	(181,200,000)
Retained earnings		1,432,244,956	959,862,772
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>2,794,168,439</b>	<b>2,270,568,215</b>
Non-controlling interests	33	28,890,452	-
<b>TOTAL EQUITY</b>		<b>2,823,058,891</b>	<b>2,270,568,215</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,282,336,214</b>	<b>7,172,748,019</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

# Arabian Internet and Communication Services Company and its Subsidiaries

(A Saudi Joint Stock Company)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Total equity attributable to the equity holders of the Parent Company					Non-controlling Interest	Total	
	Share capital	Statutory reserve	Other reserves	Retained earning	Treasury Shares			Total
Balance as at 1 January 2022	1,200,000,000	203,471,411	88,434,032	959,862,772	(181,200,000)	2,270,568,215	-	2,270,568,215
Net Profit	-	-	-	1,052,869,093	-	1,052,869,093	844,104	1,053,713,197
Other comprehensive loss	-	-	(82,543,575)	-	-	(82,543,575)	(3,769,359)	(86,312,934)
Total comprehensive income	-	-	(82,543,575)	1,052,869,093	-	970,325,518	(2,925,255)	967,400,263
Acquisition of non-controlling interests	-	-	-	-	-	-	31,815,707	31,815,707
Transfer to statutory reserve (note 29)	-	105,286,909	-	(105,286,909)	-	-	-	-
Share-based payments (note 30)	-	-	3,247,589	-	25,227,117	28,474,706	-	28,474,706
Dividends (note 32)	-	-	-	(475,200,000)	-	(475,200,000)	-	(475,200,000)
Balance as at 31 December 2022	1,200,000,000	308,758,320	9,138,046	1,432,244,956	(155,972,883)	2,794,168,439	28,890,452	2,823,058,891
Balance as at 1 January 2021	1,200,000,000	120,179,550	(6,851,269)	610,236,024	-	1,923,564,305	-	1,923,564,305
Net Profit	-	-	-	832,918,609	-	832,918,609	-	832,918,609
Other comprehensive income	-	-	85,644,949	-	-	85,644,949	-	85,644,949
Total comprehensive income	-	-	85,644,949	832,918,609	-	918,563,558	-	918,563,558
Transfer to statutory reserve (note 29)	-	83,291,861	-	(83,291,861)	-	-	-	-
Share-based payments (note 30)	-	-	9,640,352	-	-	9,640,352	-	9,640,352
Treasury Shares (note 31)	-	-	-	-	(181,200,000)	(181,200,000)	-	(181,200,000)
Dividends	-	-	-	(400,000,000)	-	(400,000,000)	-	(400,000,000)
Balance as at 31 December 2021	1,200,000,000	203,471,411	88,434,032	959,862,772	(181,200,000)	2,270,568,215	-	2,270,568,215

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

## Arabian Internet and Communication Services Company and its Subsidiaries

(A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022


(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2022	2021
<b>OPERATING ACTIVITIES</b>			
Profit before zakat and income tax		1,171,498,965	904,025,183
<i>Adjustments for:</i>			
Depreciation, impairment and amortization – property and equipment and intangible assets		214,167,272	191,116,049
(Reversal) / Allowance of bad debt of accounts receivable and contract assets		(297,741)	150,859,346
End of service indemnities expense		68,033,605	60,124,352
Depreciation – right-of-use assets	21	17,915,894	17,429,938
(Reversal of provision) / Provision against lease contracts, advances to supplier & other receivables		(708,503)	12,120,951
Share-based payment expense		28,474,707	9,640,352
Provision for slow moving and obsolete inventories	17	2,313,310	7,054,771
(Reversal of provision) / Provision for future contract losses		(4,877,606)	3,988,030
Finance charges		16,059,507	1,072,276
Gain on disposal of property and equipment		-	(162,142)
Finance income	10	(53,955,919)	(3,889,722)
		<b>1,458,623,491</b>	<b>1,353,379,384</b>
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable		(948,435,137)	(367,665,197)
Prepayments and other assets		191,834,946	(142,593,233)
Contract assets		96,537,069	248,342,778
Inventories		50,367,247	(168,671,773)
Accounts payable and accruals		422,215,135	(35,743,731)
Deferred revenue		863,142,179	571,536,599
Contract liabilities		56,673,180	18,081,516
<b>Cash flows generated from operating activities</b>		<b>2,190,958,110</b>	<b>1,476,666,343</b>
Zakat and income taxes paid	11	(65,171,343)	(51,978,119)
End of service indemnities paid	27	(55,743,454)	(32,669,849)
Finance charges paid		(15,635,241)	-
Finance income received		36,841,741	3,265,255
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>2,091,249,813</b>	<b>1,395,283,630</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property and equipment		-	191,787
Payment for acquisition of subsidiary, net of cash acquired	1	(371,829,411)	-
placement of short term murabahas	13	(2,700,800,000)	-
Purchase of property and equipment and intangible assets		(133,895,416)	(154,949,278)
Contract costs		15,250,004	(16,487,138)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,191,274,823)</b>	<b>(171,244,629)</b>
<b>FINANCING ACTIVITIES</b>			
Lease liabilities payment		(21,799,502)	(28,756,121)
Dividends paid to company's shareholders	32	(475,200,000)	(400,000,000)
Proceeds from long term loan		497,363,613	-
Bank overdraft and short term borrowing		56,520,109	-
Treasury shares		-	(181,200,000)
<b>NET CASH GENERATED/ (USED) IN FINANCING ACTIVITIES</b>		<b>56,884,220</b>	<b>(609,956,121)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,043,140,790)</b>	<b>614,082,880</b>
Cash and cash equivalents at the beginning of the year	12	1,607,556,524	993,473,644
Net foreign exchange difference		(20,440,198)	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	12	<b>543,975,536</b>	<b>1,607,556,524</b>

#### Significant non-cash items:

Refer to note 1 for non-cash items related to the acquisition

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

**Arabian Internet and Communication Services Company and its Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

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**1. ACTIVITIES**

Arabian Internet and Communication Services Company (“the Company”) is a Saudi Joint Stock Company registered in Saudi Arabia under commercial registration numbered 1010183482 and dated 8 Dhul-Qadah 1423H (corresponding to 11 January 2003). The registered office is located at Riyadh, Olaya street, P.O. Box 50, Riyadh 11372, Kingdom of Saudi Arabia (“KSA”). During December 2020, the Company changed its legal status from a limited liability company to a Saudi Closed Joint Stock company and during September 2021, the Company has completed its initial public offering and its share was traded on September 30, 2021 (note 28).

The Company is 79% owned by Saudi Telecom Company (“STC”) (31 December 2021: 79%). The parent of STC is Public Investment Fund (“PIF”) which owns 64% (31 December 2021: 64%) of its ordinary shares and is based in Saudi Arabia.

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

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

**Arabian Internet and Communication Services Company and its Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

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**1. ACTIVITIES (continued)**

**Acquisition during the year**

On 7 Rabi Al Awwal 1444 H, (Corresponding to 3 October 2022) the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems") and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group") for SAR 466 million. Giza Systems further owns multiple subsidiaries which are located in different countries. Giza Group's subsidiaries along with its shareholding in those subsidiaries are as follows:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Effective shareholding %</b>
Giza Systems Distribution	Egypt	100%
Giza Arabia System Company (*)	KSA	66%
sVAS Integrated Solutions	Egypt	100%
Giza systems Egypt	Egypt	100%
Giza Free Zone	USA	100%
Giza Systems DMCC	UAE	100%
ARIA Technologies	Egypt	60%
Giza Systems Gulf	Qatar	97%
Egyptian Engineering Co.	Egypt	100%
Giza Systems Kenya	Kenya	100%
Giza Systems Uganda	Uganda	100%
Giza Systems Tanzania	Tanzania	100%
Giza Systems Nigeria	Nigeria	100%
Giza System – USA	USA	100%
Jafeer Technologies	Egypt	82%
Avidbeam Egypt	Egypt	99%
Avidbeam Netherlands	Netherlands	51%

(\*) The Company owns 34% direct interest in Giza Arabia System Company which makes total effective shareholding of 92.21% in the subsidiary.

The Company has concluded this acquisition as a business under "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 Giza Group being the acquiree.

Non-controlling interests which result from both the Company's partial ownership of Giza Group, as well as Giza's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets amounting to SR 38 million.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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(All amounts in Saudi Riyals unless otherwise stated)

**1. ACTIVITIES (continued)**

The Company engaged an independent valuator in order to determine the fair values of the assets and liabilities of Giza Group as part of the purchase price allocation. The fair values of the identifiable assets and liabilities are as follows:

<b>Financial statement line items</b>	<b>On acquisition date</b>
<b>Asset acquired</b>	
Accounts receivable	376,205,623
Intangible assets arising from acquisition (note 19)	159,540,375
Contract assets	117,147,510
Cash and cash equivalents	93,821,130
Inventories	101,346,818
Prepayments and other assets	87,773,430
Property and equipment	21,506,684
<b>Total asset</b>	<b>957,341,570</b>
<b>Liabilities assumed</b>	
Accounts payable and accruals	(330,138,503)
Deferred revenue	(126,304,789)
Banks overdraft	(119,698,227)
Contract liabilities	(77,158,681)
<b>Total liabilities</b>	<b>(653,300,200)</b>
Net identifiable assets acquired	304,041,370
Non-controlling interests	(31,815,707)
Goodwill (note 19)	193,424,878
<b>Purchase consideration</b>	<b>465,650,541</b>

**Intangible assets arising from acquisition**

Goodwill recognized as part of business combination is required to be allocated to relevant cash generating units CGU(s) for the purpose of impairment testing. The Company has completed purchase price allocation exercise, below are the intangibles assets recognized along with the valuation techniques used for measuring the relevant fair values:

<b>Intangible</b>	<b>Amount recognized on acquisition</b>	<b>Valuation approach</b>
Customer relationships	72,004,125	Multiperiod excess earnings method (MEEM)
Backlog	48,367,500	Multiperiod excess earnings method (MEEM)
Tradename / trademarks	35,190,000	Relief from royalty
Technology	3,978,750	Relief from royalty
<b>Total</b>	<b>159,540,375</b>	

Acquisition and transaction costs of SAR 15 million were expensed in the consolidated statement of profit or loss.



## 2. BASIS OF PREPARATION

### *Statement of compliance*

The 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").

These consolidated financial statements are prepared 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. The applied accounting policies this year are consistent with the prior year except the policy of the classification software reselling agreements – principal versus agent. See below the accounting policy of software reseller and note (4) – paragraph related to principal versus agent.

### *Basis of measurement and functional currency*

The consolidated financial statements have been prepared on the historical cost basis unless stated otherwise in the below accounting policies

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

The financial statements are prepared under the going concern basis.

### *Basis of consolidation*

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries listed in note 5.

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.

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 ability to use its power over the investee to affect its returns.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Basis of consolidation (continued)***

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.

#### ***Business combination and Goodwill***

Business combinations are accounted for using the acquisition method upon transfer of control to the Group. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss as incurred.

When the Group acquires a business, it assesses the identifiable assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a gain on bargain purchase at a differential price is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing for goodwill acquired from the business combination and from the date of acquisition, it will be allocated to cash-generating units ("CGU") that are expected to benefit from the consolidation regardless of whether the other assets or liabilities acquired have been allocated to those units.

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to distribute the carrying amount of the goodwill to the cash generating units or the group of cash generating units expected to benefit from business combination. Where goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the value of a similar disposed operation and the remaining portion of the cash-generating unit.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Business combination and Goodwill (continued)***

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at fair value at the acquisition date and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date.

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.

#### ***Foreign currencies***

The financial information and disclosures are presented in Saudi Riyals (the functional currency of the Company). For each subsidiary, the Group determines the functional currency, which is defined as the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each subsidiary are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) 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 translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item to which it relates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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(All amounts in Saudi Riyals unless otherwise stated)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Foreign currencies (continued)***

Gains or losses arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Saudi Riyals using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

***Foreign currency risk management***

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the reporting date exchange rate.

	<b>Closing rate on 31 December 2022</b>	<b>Average rate from acquisition date to reporting date</b>
EGP to SAR	0.1520	0.1621

***Investment in associates***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Factors to determine significant influence include holding directly or indirectly voting power of the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making processes including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel or provision of essential technical information.

The investment in associates are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive income of the associate adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses.

Additional losses are recognized and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gain or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Investment in associates (continued)***

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs approved in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. The carrying amount of the investment in an associate is tested for impairment in accordance with the policy.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to the consolidated statement of profit or loss the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss includes the disposal of the related assets or liabilities.

When any entity within the Group transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### ***Revenue***

##### ***Core ICT Services***

###### **System integration services**

System integration revenue represents revenue generated by the installation of new network (hardware and software) or enhancing the existing customer network together with stand ready right to maintenance and support and training solutions. Hardware, 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 transaction price will be allocated to each performance obligations based on the stand-alone selling price.

Where these are not directly observable, they are estimated based on expected cost plus margin.

The Group recognizes revenue relating to installed hardware, software along with design and professional services over time using the input method.

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)**

***Revenue (continued)***

*Software reselling*

Revenue from software reselling is recorded at a point of time at which the revenue is recognized. All third-party software sold to customers are accounted for as an agent where the net of selling price, except for arrangements where either:

- The software is sold as part of integration to develop a client specific integrated solution or a structure where other solution elements are combined. The integration involves deployment of a skilled team who support clients on-ground in determining the client's business requirements, solution design and perform the implementation.
- The software was subject to a customization by the Group beyond the selection and deployment of a software or multiple software as per standard specification.

*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. Where these are not directly observable, they are estimated based on expected cost plus margin. The Group recognizes revenue of these services as the customer avails the benefit of these services over the period based on time elapsed. (Coinciding with the billing).

***IT Managed and Operational Services***

*Outsourcing services*

The Group provides outsourcing services which primarily include manpower service, managed manpower services or solution support. Further, in case of manpower services customer may also request the Group to deliver some hardware equipment.

Hardware is a separately identifiable component in the outsourcing contract (only in case of manpower services) and accounted for as a separate performance obligation and 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 based on input method, and hardware is recognized at a point in time when the hardware is delivered.

*Managed services*

Revenue from managed service includes managed router service, managed LAN service and managed Wi-Fi service and other similar service.

The Group accounts for individual goods and services separately if they are distinct.

Managed services revenue represent revenue generated by selling routers, managing the routers and providing technical support service and are recognized as per the nature of the service and when the control transferred to the customer (Over the period of time based on time elapsed or at a point of time).

Hardware: at a point in time, Managed Service and technical support: Over a period of time.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Revenue (continued)*

##### *Digital Services*

###### Digital services

Revenue from digital service includes fleet control services, Enterprise Mobile Mobility (EMM), big data services etc. and other similar services.

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.

Digital services revenue represents revenue generated by selling devices (hardware), application service and value added service and are recognized as per the nature of the service Hardware: At a point in time Application services and Value added services: Over a period of time based on time elapsed.

###### 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, software and installation are bundled into a single performance obligation as the goods and services are not distinct within the context of the contract. 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 as per the nature of these services and when the control is transferred to the customer (Over the period or at a point of time).

###### Cloud and data center services

Cloud and data center service revenue represents services 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 is the principal under this arrangement because it controls the specified cloud service before they are transferred 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 Group is obliged to provide the cloud platform to the third party CSP in a month to month hosting service contract with variable consideration that is a separate performance obligation and therefore is an agent in this arrangement.

Revenue is recognized as follows:

- Pre-defined and customized cloud products - Revenue is recognized over a period of time that may be time elapsed or usage based output method based on packages offered.
- 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

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 Group charges the customers for certain activation activity which are not distinct in nature and therefore revenue is recognized from such activity when the goods or services to which they relate are provided to the customer.

### **3. SIGNIFICANT ACCOUNTING POLICIES (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.

- *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.

- *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.

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.

- *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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *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.

##### 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.

##### *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 consolidated 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial Instruments (continued)*

##### **i) Financial assets (continued)**

###### Impairment

At each reporting date, the Group measures expected credit losses (“ECL”) on financial assets accounted for at amortized cost and FVOCI.

###### Lifetime ECL

The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets (unbilled revenue) that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component.

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. It considers available reasonable and supportive forward-looking information.

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, legal team is involved to claim outstanding balance, 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.

##### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial Instruments (continued)*

##### ii) Financial liabilities (continued)

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.

##### 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.

### **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.

#### ***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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Fair value measurement (continued)***

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***

During the year ended 31 December 2021, the Company started filing its Zakat returns separately, and as a result, it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of the Zakat, Tax and Customer Authority "ZATCA". Previously, Zakat filing was made through the Parent Company and Zakat provision was determined based on the Company's share of the Parent Company's overall Zakat.

#### ***Taxes***

##### Foreign Income tax:

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it probable that the taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Taxes (continued)**

##### Deferred tax:

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

##### Value Added Tax ("VAT")

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

#### ***Dividends***

The Company's dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized. 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.

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 government 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.

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.

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***Employee benefits (continued)***

##### End of service indemnities (continued)

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Laws and any other countries applicable laws as well as according to 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 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.

#### ***Shared-based payments***

The Company's employees receive remuneration in the form of share-based payments under the employee 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 for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

#### ***Treasury shares***

Own equity instruments that are repurchased (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the shares. Any difference between the carrying amount of the shares and the consideration, if reissued, is recognized in other reserves within equity.

#### ***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.

#### ***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.

#### ***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 assets (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.

Further, the Company has completed purchase price allocation exercise, below are the intangibles assets recognized along with the estimated useful life (note 1):

<b>Intangible</b>	<b>Estimated useful life</b>
Customer relationships	7 years
Backlog	4 years
Tradenname / trademarks	10 years
Technology	5 years

#### *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. All other repair and maintenance costs are recognised in income or loss as incurred. Depreciation is recognized on a straight-line basis over their estimated useful lives except for Supercomputer where sum of digits method of depreciation is used, based on the performance and expected usage of the asset.

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
Buildings	50 years
Leasehold improvements	Lower of the lease period or 3 to 5 years
Motor vehicles	4 to 5 years
Supercomputers	7 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Property and equipment (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 statement of profit or loss and other comprehensive income.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

#### **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 building and land which is amortized over the respective lease period.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***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.

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.

#### ***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. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is 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.

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.

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.

#### ***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, vehicles 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, vehicles 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).

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***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.

#### ***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 STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP**

#### **NEW IFRS STANDARDS, ISSUED AND ADOPTED**

Amendments to IFRS that were applied by the Group on 1 January 2022 and had no material impact are as follows:

Amendments and interpretations

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.

Amendments to IFRS 3: Reference to Conceptual Framework.

Amendments to IAS 16: Property, Plant, and Equipment: Proceeds before Intended Use.

Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

Amendments to IFRS 9: Financial Instruments – Fees in the “10%” test for derecognition of financial liabilities.

#### **OTHER AMENDMENTS OF RELEVANT IFRS'S ISSUED BUT NOT YET EFFECTIVE**

The standards and amendments that are issued, but not yet effective, as of 31 December 2022 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

Amendments and interpretations

IFRS 17: Insurance Contracts

Amendments to IAS 1: Classification of Liabilities as Current and Non-current

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

#### **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, depreciation method 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.

##### 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.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

##### Principal versus agent

Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on gross basis, or acting as an agent, reporting revenue on net basis. The Group exercises professional judgement when performing this assessment, taking into consideration the details of the contractual terms, the nature of the products and services as defined by IFRS 15 on revenue from contracts with customers.

During the year 2022, IFRS Interpretations Committee "IFRIC" issued further clarification on the application of IFRS 15 principal versus agent guidance for reselling software license. Accordingly, the management reassessed its accounting policy related to these contracts, which resulted in the reclassification of some contracts as an agent that were previously considered as principal. Consequently, those contracts are recognized on a retrospective net basis to align with interpretation, see note No (41).

##### 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.

##### 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.

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**4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)**

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.

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. Subsidiaries**

The following is the detail of the subsidiaries directly owned by the company and included in these consolidated financial statements:

<b>Subsidiaries</b>	<i>Country of incorporation</i>	<b>Ownership %</b>	
		<b>2022</b>	<b>2021</b>
Saudi Telecom Company Solution for Information Technology (Owned by One Person) (a)	Egypt	<b>100%</b>	100%
Sanad AlTeqany For Commercial Services Company (Owned by One Person) (b)	Saudi Arabia	<b>100%</b>	100%
Giza Systems Company (c)	Egypt	<b>88.19%</b>	-

- 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 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. 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.

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**5. Subsidiaries (continued)**

- c. Giza system company (S.A.E) was established on 19 Rebi AL Awwal 1409H, (corresponding to 29<sup>th</sup> October 1988 ) in pursuance of the law No 159 of 1981, and its executive regulation and law No. 95 of 1992 in Egypt with a fully paid capital of EGP 90 million. The subsidiary has 9 million shares with a nominal value of EGP 10 per share. The principal activities of the subsidiary are selling and marketing computer software and electronic hardware, conducting amendment and development operations on the computer software and hardware units and providing integrated solutions, designing engineering and scientific systems for computers and providing engineering consultations, Supplying, installing and maintaining educational laboratories (electric - electronic - mechanical) and implementing integrated projects within the scope of the abovementioned activities (note 1).

**6. REVENUE, NET**

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

	<b>2022</b>	<b>2021</b>
Core ICT Services	<b>4,771,566,871</b>	3,670,235,022
IT Managed and Operational Services	<b>2,329,678,714</b>	1,951,797,292
Digital Services	<b>1,703,845,267</b>	1,586,304,530
	<b>8,805,090,852</b>	7,208,336,844
<b>Type of customers</b>		
Sell through STC and sell to direct customers (STC is not the end customer)	<b>6,042,990,558</b>	5,160,361,311
Sell to STC & its subsidiaries (STC & its subsidiaries are the end customers)	<b>2,762,100,294</b>	2,047,975,533
	<b>8,805,090,852</b>	7,208,336,844
<b>Timing of revenue recognition</b>		
Goods or services transferred to customers:		
- over time	<b>7,990,576,179</b>	6,841,651,334
- at a point in time	<b>814,514,673</b>	366,685,510
	<b>8,805,090,852</b>	7,208,336,844
<b>Principal vs Agent</b>		
Revenue as principal	<b>7,864,837,471</b>	6,576,304,295
Revenue as agent	<b>940,253,381</b>	632,032,549
	<b>8,805,090,852</b>	7,208,336,844

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**7. GENERAL AND ADMINISTRATION EXPENSES**

	<b>2022</b>	<b>2021</b>
Employee related costs	<b>293,784,879</b>	229,232,024
Professional services	<b>110,742,221</b>	65,548,829
Depreciation and amortization	<b>67,216,021</b>	62,100,080
IT expenses	<b>61,067,141</b>	54,434,158
Hospitality and corporate gatherings	<b>19,660,622</b>	17,195,240
Office expenses	<b>17,328,697</b>	10,802,429
Rent expenses	<b>9,646,134</b>	9,693,157
Business travel expenses	<b>7,423,054</b>	2,144,002
Utilities expenses	<b>1,322,619</b>	1,760,452
Other	<b>16,754,726</b>	9,190,648
	<b><u>604,946,114</u></b>	<b><u>462,101,019</u></b>

**8. SELLING AND DISTRIBUTION EXPENSES**

	<b>2022</b>	<b>2021</b>
Employees related costs	<b>193,816,829</b>	164,829,224
Impairment (reversal) / charge of accounts receivable and contract assets (notes 14 & 16)	<b>(297,741)</b>	150,859,346
Selling and marketing expenses	<b>42,677,711</b>	24,427,125
IT expenses	<b>4,250,311</b>	4,008,419
Depreciation and amortization	<b>3,735,125</b>	2,132,477
Business travel expenses	<b>1,886,582</b>	504,942
	<b><u>246,068,817</u></b>	<b><u>346,761,533</u></b>

**9. OTHER (EXPENSE) / INCOME, NET**

	<b>2022</b>	<b>2021</b>
Foreign exchange loss	<b>(27,134,167)</b>	(127,434)
Impairment on investment in associate (note 18)	<b>(341,356)</b>	-
Write-off of liabilities	-	2,614,237
Impairment loss on property and equipment (note 20)	-	(621,965)
Other	<b>(291,985)</b>	238,725
	<b><u>(27,767,508)</u></b>	<b><u>2,103,563</u></b>

**10. FINANCE INCOME, NET**

	<b>2022</b>	<b>2021</b>
Income from murabaha time deposits	<b>53,955,919</b>	3,889,722
Finance charges on loans and overdraft	<b>(15,026,585)</b>	-
Finance charges on leases liabilities (note 26)	<b>(1,032,922)</b>	(1,072,276)
	<b><u>37,896,412</u></b>	<b><u>2,817,446</u></b>



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**11. ZAKAT AND INCOME TAXES**

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

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

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

The Company's zakat provision for the year ended 2022 amounted to SR 105.2 million (2021: SR 71.1 million), and is charged to the consolidated statement of profit or loss.

	<b>2022</b>	2021
Zakat payable (note 11.1)	<b>119,848,362</b>	72,269,437
Income tax payable (note 11.2)	<b>16,033,871</b>	-
	<u><b>135,882,233</b></u>	<u>72,269,437</u>

11.1 The movement in zakat provision was as follows:

	<b>2022</b>	2021
Balance as at 1 January	<b>72,269,437</b>	<b>53,140,982</b>
Acquisition of subsidiary (note 1)	<b>790,033</b>	-
Charge for the year	<b>111,471,459</b>	<b>71,106,574</b>
Paid during the year	<b>(64,682,567)</b>	<b>(51,978,119)</b>
Balance as at 31 December	<u><b>119,848,362</b></u>	<u><b>72,269,437</b></u>

11.2 The movement in income tax provision from acquisition date to 31 December 2022 was as follows:

	<b>From Acquisition date to 31 December 2022</b>
Acquisition of subsidiary (note 1)	11,356,632
Charge for the period	6,314,309
Paid during the period	(488,776)
Foreign currency translation	(1,148,294)
Balance as at 31 December 2022	<u><b>16,033,871</b></u>

11.3 Non current tax provision represents taxes obligation that still subject to assessment by the foreign tax authority. Management reviewing the provision on a regular basis and adjusting as per the latest assessment.

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**12. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

	<b>2022</b>	2021
Murabaha time deposits (12-1)	<b>414,500,000</b>	1,583,500,000
Bank balances	<b>129,252,923</b>	24,039,191
Cash in hand	<b>286,780</b>	17,333
Expected credit losses	<b>(64,167)</b>	-
	<b><u>543,975,536</u></b>	<u>1,607,556,524</u>

12.1 Represent deposits placed with various banks and carry a profit rate of 4.3% to 5.2% (2021: 0.5% to 1.2%) per annum. The original maturity date for all these deposits are less than 90 days.

**13. SHORT TERM MURABAHAS**

These represent the Murabaha deposits placed with various banks and carry a profit rate of 3.1% to 5.4% per annum (2021: Nil). The maturity date for all these deposits are more than 90 days when placed.

	<b>2022</b>	2021
Short term murabahas	<b>2,700,800,000</b>	-

**14. ACCOUNTS RECEIVABLE**

	<b>2022</b>	2021
Gross accounts receivable (excluding Parent Company and its subsidiaries balances)	<b>2,046,783,479</b>	922,538,872
Less: allowance for expected credit losses	<b>(233,399,974)</b>	(210,737,776)
Net accounts receivable	<b>1,813,383,505</b>	711,801,096
Gross amounts due from Parent Company and its subsidiaries (note 37)	<b>2,584,501,266</b>	2,388,079,460
Less: allowance for expected credit losses	<b>(53,188,797)</b>	(79,323,249)
Net amounts due from related parties	<b>2,531,312,469</b>	2,308,756,211
Total accounts receivable	<b><u>4,344,695,974</u></b>	<u>3,020,557,307</u>

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.

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**14. ACCOUNTS RECEIVABLE (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 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 represent 13% (2021: 8%) of the total trade receivables balance excluding Parent Company and its subsidiaries balances.

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 Parent Company and its subsidiaries balances):***

	<b>2022</b>	2021
Balance as at 1 January	<b>210,737,776</b>	74,796,541
Acquisition of subsidiary	<b>22,483,253</b>	-
Net charge for the year	<b>4,459,495</b>	135,941,235
Currency translation	<b>(4,280,550)</b>	-
<b>Balance as at 31 December</b>	<b>233,399,974</b>	210,737,776

***Movements in the allowance for expected credit losses related to amounts due from Parent Company and its subsidiaries balances:***

	<b>2022</b>	2021
Balance as at 1 January	<b>79,323,249</b>	80,845,124
Net reversal for the year	<b>(26,110,442)</b>	(1,521,875)
Currency translation	<b>(24,010)</b>	-
<b>Balance as at 31 December (*)</b>	<b>53,188,797</b>	79,323,249

(\*) Includes SAR 34.8 million (2021: 39.7 million) pertaining to receivables for which STC is not the end customer.

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**14. ACCOUNTS RECEIVABLE (continued)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the accounts 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.

	<b>2022</b>	<b>2021</b>
<b>Age of unimpaired trade receivables</b>		
<i>Non-governmental receivables</i>		
0 to 3 months	<b>518,400,549</b>	138,089,349
4 to 6 months	<b>108,584,674</b>	43,293,197
7 to 12 months	<b>33,273,765</b>	11,306,309
Over 1 year	<b>10,276,636</b>	251,215
	<b>670,535,624</b>	192,940,070
<i>Governmental receivables</i>		
Neither past due nor impaired	<b>391,865,750</b>	244,612,753
0 to 3 months	<b>302,844,273</b>	206,680,487
4 to 6 months	<b>118,583,853</b>	31,615,944
7 to 12 months	<b>172,342,661</b>	35,051,560
Over 1 year	<b>157,211,344</b>	900,282
<b>Age of impaired trade receivables</b>		
Total unimpaired trade receivables	<b>1,142,847,881</b>	518,861,026
	<b>1,813,383,505</b>	711,801,096
<b>Age of impaired trade receivables</b>		
<i>Non-governmental receivables</i>		
0 to 3 months	<b>37,009,913</b>	15,339,683
4 to 6 months	<b>16,062,926</b>	17,877,068
7 to 12 months	<b>20,765,360</b>	22,225,222
Over 1 year	<b>60,398,279</b>	53,951,986
	<b>134,236,478</b>	109,393,959
<i>Governmental receivables</i>		
0 to 3 months	<b>4,953,901</b>	26,239,565
4 to 6 months	<b>1,357,517</b>	1,193,297
7 to 12 months	<b>9,680,234</b>	23,609,628
Over 1 year	<b>83,171,844</b>	50,301,327
	<b>99,163,496</b>	101,343,817
	<b>233,399,974</b>	210,737,776

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	<i>Note</i>	<b>2022</b>	<i>2021</i>
Advances to suppliers, net	15.1	<b>25,897,093</b>	204,958,795
Prepaid expenses, net	15.2	<b>27,655,652</b>	25,994,379
Other receivables, net	15.3	<b>91,128,299</b>	28,095,770
Deposits, net		<b>5,663,544</b>	2,708,081
Cost to fulfil contracts		<b>44,435,308</b>	26,219,247
		<b>194,779,896</b>	287,976,272

15.1 During the current year, additions to advances to suppliers were made in connection to certain projects. Advances to suppliers are presented net of provision for old advances amounting to SR 10.1 million (2021: SR 10.8 million).

15.2 Prepaid expenses are presented net of provision for certain doubtful prepaid assets amounting to SR 22.6 million (2021: SR 22.6 million).

15.3 Other receivables include amounting of SR 8 million (2021: SR 8.5 million) due from related parties (note 31).

**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. Total contract assets billed during the year amounted to SR 1,088 million (2021: SR 1,200 million) and total revenue recognized relating to the contract assets during the year amounted to SR 1,132 million (2021: SR 954 million).

	<b>2022</b>	<i>2021</i>
Gross contract assets (note 37)	<b>1,308,384,210</b>	1,264,069,299
Allowance for impairment	<b>(31,804,143)</b>	(7,850,611)
	<b>1,276,580,067</b>	1,256,218,688

The movement in the allowance for impairment related to contract assets for the year ended 31 December were as follows:

	<b>2022</b>	<i>2021</i>
Balance as at 1 January	<b>7,850,611</b>	5,957,205
Acquisition of subsidiary (note 1)	<b>3,178,716</b>	-
Charge of impairment for the year	<b>21,353,206</b>	1,893,406
Currency translation	<b>(578,390)</b>	-
<b>Balance as at 31 December</b>	<b>31,804,143</b>	7,850,611

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**17. INVENTORIES**

	<b>2022</b>	2021
Materials and supplies	<b>400,682,608</b>	349,123,113
Less: allowance for slow moving and obsolete inventory	<b>(78,245,660)</b>	(75,136,957)
	<b>322,436,948</b>	273,986,156

The Group has charged inventories amounting to SR 1,200 million (2021: SR 596 million) to consolidated statement of profit or loss.

The movement in the allowance for slow moving and obsolete inventories was as follows:

	<b>2022</b>	2021
Balance as at 1 January	<b>75,136,957</b>	68,082,186
Acquisition of subsidiary	<b>1,001,926</b>	-
Net charge for the year	<b>2,313,310</b>	7,054,771
Currency translation	<b>(206,533)</b>	-
Balance as at 31 December	<b>78,245,660</b>	75,136,957

**18. OTHER NON-CURRENT ASSETS**

	<i>Note</i>	<b>2022</b>	2021
Contract costs	18.1	<b>7,878,799</b>	23,128,803
Investments in associates	18.2	<b>4,077,806</b>	-
Deferred tax assets	18.3	<b>419,961</b>	-
		<b>12,376,566</b>	23,128,803

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

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

<b>Name of associate</b>	<b>Business activity</b>	<b>Ownership %</b>	<b>Carrying value at 31 December 2022</b>	<b>Share of profit from acquisition date to 31 December 2022</b>
Giza Systems Company for Electromechanical Contracting (GSEC) *	Operation, engineering consultancy and evaluation of systems, devices and electronic computers	50.01%	4,077,806	1,138,884
Edu Apps **	Digital services	40%	-	-

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**18. OTHER NON-CURRENT ASSETS (continued)**

(\*) The movement of investment in associate (GSEC) is as follows:

	<b>2022</b>
Balance as at acquisition	3,787,293
Share of results from acquisition date to 31 December 2022	1,138,884
Currency translation	(848,371)
Balance as at 31 December	<u>4,077,806</u>

Summarized financial information of associate (GSEC)

The tables below provide summarized financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not Group's share of those amounts.

	<b>31 December 2022</b>
Current assets	<u>64,044,569</u>
Non-current assets	<u>244,033</u>
Current liabilities	<u>(56,115,830)</u>
Non-current liabilities	<u>(18,791)</u>
Net assets	<u>8,153,981</u>
Reconciliation:	
Group's share in associate	50.01%
Share in net assets of the associate	4,077,806
	<b>From acquisition date to 31 December 2022</b>
Revenue	<u>12,781,452</u>
Net income	<u>2,277,312</u>
Group's share in associate	<u>50.01%</u>
Share in net income	<u>1,138,884</u>

(\*\*) Edu apps had carrying value of SAR 341,356, which has been impaired during the period.

**18.3** This is deferred tax resulted from deductible temporary differences of tax.

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**19. INTANGIBLE ASSETS AND GOODWIL**

<b>COST:</b>	<b>Goodwill (Note 1)</b>	<b>Software</b>	<b>Others (note 1) SR</b>	<b>Capital work- in-progress</b>	<b>Total</b>
As at 1 January 2021		166,490,046		4,753,105	<b>171,243,151</b>
Additions		26,177,588		15,656,587	<b>41,834,175</b>
Transfer		10,161,529		(10,161,529)	-
As at 1 January 2022	-	202,829,163	-	10,248,163	<b>213,077,326</b>
Additions	-	15,374,167	-	19,800,582	<b>35,174,749</b>
Acquisition of subsidiary	193,424,878	-	159,540,375	-	<b>352,965,253</b>
Currency translation difference	(39,503,195)	-	(32,582,957)	-	<b>(72,086,152)</b>
Transfer	-	24,912,617	-	(24,912,617)	-
Disposal	-	(2,515,683)	-	-	<b>(2,515,683)</b>
<b>As at 31 December 2022</b>	<b>153,921,683</b>	<b>240,600,264</b>	<b>126,957,418</b>	<b>5,136,128</b>	<b>526,615,493</b>
<b>ACCUMULATED AMORTIZATION:</b>					
As at 1 January 2021		79,783,991			<b>79,783,991</b>
Amortization		35,083,521			<b>35,083,521</b>
As at 1 January 2022	-	114,867,512	-	-	<b>114,867,512</b>
Amortization	-	36,285,380	5,664,227	-	<b>41,949,607</b>
Disposal	-	(2,515,683)	-	-	<b>(2,515,683)</b>
Currency translation difference			(353,870)	-	<b>(353,870)</b>
<b>As at 31 December 2022</b>	<b>-</b>	<b>148,637,209</b>	<b>5,310,357</b>	<b>-</b>	<b>153,947,566</b>
<b>Net book value as at 31 December 2021</b>		<b>87,961,651</b>		<b>10,248,163</b>	<b>98,209,814</b>
<b>Net book value as at 31 December 2022</b>	<b>153,921,683</b>	<b>91,963,055</b>	<b>121,647,061</b>	<b>5,136,128</b>	<b>372,667,927</b>

The amortization charge for the year, as reported in the consolidated statement of profit or loss is allocated as follows:

	<i>Note</i>	<b>2022</b>	<i>2021</i>
Cost of revenue		<b>18,113,517</b>	13,845,004
Selling and distribution expenses	8	<b>3,476,782</b>	1,835,624
General and administration expenses	7	<b>20,359,308</b>	19,402,893
		<b>41,949,607</b>	35,083,521



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20. PROPERTY AND EQUIPMENT

<b>COST:</b>	<i>Computer hardware</i>	<i>Furniture and office equipment</i>	<i>Land and Building</i>	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Supercomputers</i>	<i>Capital work-in-progress*</i>	<i>Total</i>
Balance as at 1 January 2022	362,680,635	88,548,514	-	113,118,430	1,688,077	339,979,013	13,632,940	<b>919,647,609</b>
Additions	29,286,891	3,200,550	-	2,444,351	-	-	42,327,914	<b>77,259,706</b>
Acquisition of subsidiary	15,132,698	9,675,601	18,607,124	-	2,739,405	-	-	<b>46,154,828</b>
Currency translation differences	(3,181,117)	(398,567)	(3,396,545)	-	(128,549)	-	-	<b>(7,104,778)</b>
Transfer	44,893,837	1,439,013	-	2,329,573	-	-	(48,662,423)	<b>-</b>
Disposal	(884,760)	(63,162)	-	-	(13,135)	-	-	<b>(961,057)</b>
<b>Balance as at 31 December 2022</b>	<b>447,928,184</b>	<b>102,401,949</b>	<b>15,210,579</b>	<b>117,892,354</b>	<b>4,285,798</b>	<b>339,979,013</b>	<b>7,298,431</b>	<b>1,034,996,308</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</b>								
Balance as at 1 January 2022	193,599,826	48,124,652	-	50,527,231	1,074,606	75,709,612	-	<b>369,035,927</b>
Acquisition of subsidiary	10,870,131	8,204,763	3,408,365	-	2,540,453	-	-	<b>25,023,712</b>
Currency translation differences	(1,740,370)	(676,742)	(628,376)	(1,363)	(373,135)	-	-	<b>(3,419,986)</b>
Depreciation and impairment charge	62,826,221	11,720,043	71,180	18,946,355	372,986	78,280,880	-	<b>172,217,665</b>
Disposal	(868,304)	(32,714)	-	-	(13,135)	-	-	<b>(914,153)</b>
<b>Balance as at 31 December 2022</b>	<b>264,687,504</b>	<b>67,340,002</b>	<b>2,851,169</b>	<b>69,472,223</b>	<b>3,601,775</b>	<b>153,990,492</b>	<b>-</b>	<b>561,943,165</b>
<b>NET BOOK VALUE:</b>								
<b>At 31 December 2022</b>	<b>183,240,680</b>	<b>35,061,947</b>	<b>12,359,410</b>	<b>48,420,131</b>	<b>684,023</b>	<b>185,988,521</b>	<b>7,298,431</b>	<b>473,053,143</b>

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20. PROPERTY AND EQUIPMENT (continued)

<b>COST:</b>	<i>Computer hardware</i>	<i>Furniture and office equipment</i>	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Supercomputers</i>	<i>Capital work-in-progress*</i>	<i>Total</i>
Balance as at 1 January 2021	255,663,799	65,530,834	63,522,078	2,112,077	-	420,704,721	807,533,509
Additions	40,706,364	1,395,103	3,310,822	-	-	67,702,814	113,115,103
Transfer	66,519,792	21,990,260	46,285,530	-	339,979,013	(474,774,595)	-
Disposal	<u>(209,320)</u>	<u>(367,683)</u>	<u>-</u>	<u>(424,000)</u>	<u>-</u>	<u>-</u>	<u>(1,001,003)</u>
<b>Balance as at 31 December 2021</b>	<u>362,680,635</u>	<u>88,548,514</u>	<u>113,118,430</u>	<u>1,688,077</u>	<u>339,979,013</u>	<u>13,632,940</u>	<u>919,647,609</u>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</b>							
Balance as at 1 January 2021	142,484,967	37,829,638	32,649,705	1,010,447	-	-	213,974,757
Depreciation and impairment charge	51,308,534	10,648,697	17,877,526	488,159	75,709,612	-	156,032,528
Disposal	<u>(193,675)</u>	<u>(353,683)</u>	<u>-</u>	<u>(424,000)</u>	<u>-</u>	<u>-</u>	<u>(971,358)</u>
<b>Balance as at 31 December 2021</b>	<u>193,599,826</u>	<u>48,124,652</u>	<u>50,527,231</u>	<u>1,074,606</u>	<u>75,709,612</u>	<u>-</u>	<u>369,035,927</u>
<b>NET BOOK VALUE:</b>							
<b>At 31 December 2021</b>	<u>169,080,809</u>	<u>40,423,862</u>	<u>62,591,199</u>	<u>613,471</u>	<u>264,269,401</u>	<u>13,632,940</u>	<u>550,611,682</u>

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**20. PROPERTY AND EQUIPMENT (continued)**

The depreciation and impairment charge for the year, as reported in the consolidated statement of profit or loss is allocated as follows:

	<i>Note</i>	<b>2022</b>	2021
Cost of revenue		<b>142,772,817</b>	129,600,773
Selling and distribution expenses	8	<b>258,343</b>	296,853
General and administration expenses	7	<b>29,186,505</b>	25,512,937
Impairment loss on property and equipment	9	-	621,965
		<u><b>172,217,665</b></u>	<u>156,032,528</u>

**21. RIGHT-OF-USE ASSETS**

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

	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Balance as at 1 January 2021	71,818,593	114,118	<b>71,932,711</b>
Depreciation charge for the year ended 31 December 2021	(17,315,820)	(114,118)	<b>(17,429,938)</b>
<b>Balance as at 31 December 2021</b>	<b>54,502,773</b>	-	<b>54,502,773</b>
Acquisition of subsidiary (note 1)	3,105,414	-	<b>3,105,414</b>
Additions	2,028,845	-	<b>2,028,845</b>
Currency translation differences	(750,981)	-	<b>(750,981)</b>
Depreciation charge for the year ended 31 December 2022	(17,915,894)	-	<b>(17,915,894)</b>
<b>Balance as at 31 December 2022</b>	<b>40,970,157</b>	-	<b>40,970,157</b>

Right of use assets are depreciated as follows:

Leasehold lands	15 years
Buildings	4 years

The depreciation charge for the year, as reported in the consolidated statement of profit or loss and other comprehensive income is allocated as follows:

	<b>2022</b>	2021
General and administration expenses (note 7)	<b>17,670,208</b>	17,184,250
Cost of revenue	<b>245,686</b>	245,688
	<u><b>17,915,894</b></u>	<u>17,429,938</u>

The Group decided not to recognize the short-term and low-value leases as a right of use assets, and therefore lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss of SAR 2.7 million (2021: SAR 1.7 million).

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**22. ACCOUNTS PAYABLE AND ACCRUALS**

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Accrued project costs		<b>545,184,412</b>	723,274,789
Accrued expenses	22.1	<b>729,421,163</b>	608,250,608
Trade payables		<b>940,038,319</b>	459,879,696
Amounts due to related parties	37	<b>281,892,386</b>	59,265,811
Accrued connectivity charges	37	<b>48,278,901</b>	51,422,467
Lease liabilities	26	<b>27,759,463</b>	29,256,240
		<b>2,572,574,644</b>	1,931,349,611

**22.1** Accrued expenses include an amount of SR 176 million (2021: SR 133 million) due to STC (note 37). Trade payables are normally settled within 90 days of the invoice dates.

**23. 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. Total deferred revenue invoiced during the year amounted to SR 2,001 million (2021: SR 1,197 million) and total revenue recognized relating to the deferred revenue during the year amounted to SR 1,012 million (2021: SR 624 million).

**24. CONTRACT LIABILITIES**

Contract liabilities represent amounts received from the Group's customers which will be applied against future billings.

**25. Borrowings**

	<b>2022</b>	<b>2021</b>
<b>Short term loans</b>		
Bank overdrafts (note 25.1)	<b>178,967,393</b>	-
Other	<b>15,420,202</b>	-
Total	<b>194,387,595</b>	-
<b>Long term loans</b>		
Long term loan (note 25.2)	<b>498,878,270</b>	-
Long term loan (note 25.3)	<b>3,136,180</b>	-
Total	<b>502,014,450</b>	-

**25.1** This represents the unsecured overdraft obtained by Giza Group in USD and EGP currencies. The interest rate on USD currency is from 5.25% to 6.25% annually, while the interest rate on EGP currency is from 13.25% to 14.5% 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.

**25.2** During the year, 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 (note 40). As at 31 December 2022, the facility amounting to SR 500 million was withdrawn, 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.

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**25. Borrowings (continued)**

**25.3** This represents a secured loan in USD. The interest rate on this loan is 4.9% annually. The final settlement of this loan is on 25 June 2024.

**26. LEASES**

**As a lessee:**

	<b>2022</b>	<b>2021</b>
Balance as at 1 Jan	<b>60,591,446</b>	88,275,291
Additions to lease liabilities, net	<b>2,028,845</b>	-
Acquisition from subsidiary (note 1)	<b>2,635,219</b>	-
Finance cost (note 10)	<b>1,032,922</b>	1,072,276
Payments	<b>(21,799,502)</b>	(28,756,121)
Forex translation	<b>(883,894)</b>	-
	<u><b>43,605,036</b></u>	<u>60,591,446</u>
<b>Total discounted lease liabilities as at 31 December</b>	<b>43,605,036</b>	60,591,446

Following is the maturity analysis of undiscounted cash flows relating to leases payments as at 31 December 2022.

<b>Maturity analysis of lease undiscounted cash flows</b>	<b>2022</b>	<b>2021</b>
Less than 1 year	<b>31,858,344</b>	29,443,672
More than 1 year	<b>16,907,607</b>	33,417,569
	<u><b>48,765,951</b></u>	<u>62,861,241</u>
<b>Total undiscounted lease liabilities as at 31 December</b>	<b>48,765,951</b>	62,861,241

Following is the presentation of the discounted lease liabilities in the consolidated statement of financial position:

	<b>2022</b>	<b>2021</b>
Current portion (included in accounts payable and accruals – note 22)	<b>27,759,463</b>	29,256,240
Non-current portion	<b>15,845,573</b>	31,335,206
	<u><b>43,605,036</b></u>	<u>60,591,446</u>
<b>Total</b>	<b>43,605,036</b>	60,591,446

**As a lessor:**

The Group has entered into an operating lease arrangement for the lease of a remote computing facility for a customer that will be managed by the Group. The facility includes mainly supercomputers in addition to certain assets leased under this arrangement. The net carrying value of all such leased assets included in notes 19, 20 and 21 are as follows:

	<b>2022</b>	<b>2021</b>
Property and Equipment	<b>250,133,056</b>	346,074,097
Intangible assets	<b>143,016</b>	188,178
Land - Right-of-use assets	<b>3,009,654</b>	3,255,340
	<u><b>253,285,726</b></u>	<u>349,517,615</u>
	<b>253,285,726</b>	349,517,615

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**26. LEASES (continued)**

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>2022</b>	2021
Less than one year	<b>152,455,017</b>	132,569,580
More than one year	<b>268,513,898</b>	450,736,572
<b>Total</b>	<b>420,968,915</b>	583,306,152

**27. END OF SERVICE INDEMNITIES**

	<b>2022</b>	2021
Defined benefit obligation (DBO)	<b>260,822,151</b>	236,586,315

The Group grants end of service indemnities (benefit plan) to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. 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. Subsidiaries located outside the Kingdom calculate end of service indemnities in accordance with applicable laws in those countries.

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 government 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:

	<b>2022</b>	2021
Balance as at 1 January	<b>236,586,315</b>	294,776,761
Acquisition from subsidiary (note 1)	<b>15,057,969</b>	-
<b>Amount recognized in the consolidated statement of profit or loss</b>		
Current service costs	<b>55,701,993</b>	55,072,652
Finance cost	<b>8,269,447</b>	5,051,700
Total employee benefits expense recognized in profit or loss	<b>63,971,440</b>	60,124,352
Actuarial loss / (gain) recognized in the other comprehensive income	<b>4,225,664</b>	(85,644,949)
Forex translation	<b>(3,275,783)</b>	-
Payments	<b>(55,743,454)</b>	(32,669,849)
<b>Balance as at 31 December</b>	<b>260,822,151</b>	236,586,315

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27. END OF SERVICE INDEMNITIES (continued)

**Significant actuarial assumptions**

The most recent actuarial valuation was performed by the Group Actuarial Consultant and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation for significant entities were as follows:

	<b>2022</b>	2021
Attrition rates	<b>15% to 46%</b>	15% to 46%
Salary escalation rate	<b>1.25% to 4.5%</b>	1.6% to 4.5%
Discount rate	<b>4.6% to 4.7%</b>	2.1%
Retirement age	<b>60 to 65 years</b>	65 years

**Sensitivity analysis**

The results are sensitive to the assumptions used. The table below shows the revised DBO based on increase or decrease in the base assumption value as of 31 December:

2022	<i>Change in Assumption</i>	<i>Base value</i>	<b>DBO</b>	
			<i>Increase in assumption</i>	<i>Decrease in assumption</i>
Discount rate	1%	260,822,151	249,066,406	273,796,360
Salary escalation rate	1%	260,822,151	273,778,613	248,862,123
<b>Impact on defined benefit obligation</b>				
2021	<i>Change in Assumption</i>	<i>Base value SR</i>	<i>Increase in assumption SR</i>	<i>Decrease in assumption SR</i>
Discount rate	1%	236,586,315	(12,025,677)	13,486,413
Salary escalation rate	1%	236,586,315	13,098,825	(11,940,396)

Cost of revenue includes employees' cost amounting to SR 1,940 million (2021: SR 1,718 million).

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**28. SHARE CAPITAL**

During the year 2020, the shareholder of the Company in the 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 structure including approval by the Ministry of Commerce which were 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).

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.

	<b>2022</b>	<b>2021</b>
<b>Authorized, issued and fully paid capital comprises:</b>		
120 million fully paid ordinary shares at SR 10 each	<b>1,200,000,000</b>	1,200,000,000

The following are the number of outstanding shares during the year:

	<b>2022</b>	<b>2021</b>
Outstanding shares as at 1 January	<b>118,800,000</b>	120,000,000
Treasury shares purchased during the year	-	(1,200,000)
Outstanding shares re-issued	<b>167,067</b>	-
<b>The number of outstanding shares as at 31 December</b>	<b>118,967,067</b>	118,800,000

**29. STATUTORY RESERVE**

In accordance with Companies law and the Company's By-laws, the Company must transfer 10% of its income for the year to the statutory reserve. In accordance with Company's By-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.



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**30. Other reserves**

	Foreign currency translation reserve	Re- measurement of end of service indemnities	Share based payments reserve	Total
Balance as at 1 January 2021	-	(7,067,285)	216,016	<b>(6,851,269)</b>
Re-measurement of the end of service benefit provision (note 27)	-	85,644,949		<b>85,644,949</b>
Share-based payment transactions (note 30.1)	-	-	9,640,352	<b>9,640,352</b>
<b>Balance as at 31 December 2021</b>	-	78,577,664	9,856,368	<b>88,434,032</b>
Re-measurement of the end of service benefit provision (note 27)	-	<b>(4,225,664)</b>	-	<b>(4,225,664)</b>
Share-based payment transactions (note 30.1)	-	-	<b>3,247,589</b>	<b>3,247,589</b>
Foreign currency translations	<b>(78,317,911)</b>	-	-	<b>(78,317,911)</b>
<b>Balance as at 31 December 2022</b>	<b>(78,317,911)</b>	<b>74,352,000</b>	<b>13,103,957</b>	<b>9,138,046</b>

**30.1** Employees of the Group receive remuneration in the form of equity settled share-based payments under the incentive rewarding program, whereby employees render services as consideration to receive fixed number of Company's shares.

During the year ended 2022, the Group has recorded SR 28.5 million (2021: SR 9.6 million) as an expense in the consolidated statement of profit or loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled. As at 31 December 2021, the shares granted by the Group are as follows:

	<b>2021 Tranche 1</b>	<b>2021 Tranche 2</b>	<b>2021 Tranche 3</b>
<b>First cycle:</b>			
Grant date	8 June 22	8 June 22	8 June 22
Total number of shares granted	682	1,136	2,726
Average Fair value per share at grant date(*)	224	224	224
Vesting date	31 May 2022	31 May 2023	31 May 2024
Total number of shares actually vested	817	To be determined at vesting date	To be determined at vesting date
<b>Second cycle:</b>			
Grant date	8 June 22	8 June 22	8 June 22
Total number of shares granted	6,437	10,729	25,749
Average Fair value per share at grant date (*)	224	224	224
Vesting date	31 May 2023	31 May 2024	31 May 2025
Total number of shares actually vested	To be determined at vesting date	To be determined at vesting date	To be determined at vesting date

(\*) The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date.

The following table shows the shares granted and outstanding at the beginning and ending of the reporting period:

	<b>2022</b>	<b>2021</b>
At the beginning of the year	<b>167,375</b>	-
Shares granted during the year	<b>47,459</b>	184,250
Shares vested during the year	<b>(167,067)</b>	-
<b>At the end of the year</b>	<b>47,767</b>	<b>(16,875)</b>

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**31. 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 held by the Company as treasury shares in order to support its future employees long term incentive plans (see note 30).

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

	<b>2022</b>	<b>2021</b>
Outstanding shares as at 1 January	<b>1,200,000</b>	-
Treasury shares purchased during the year	-	1,200,000
Treasury shares re-issued	<b>(167,067)</b>	-
<b>Treasury shares as at 31 December</b>	<b>1,032,933</b>	1,200,000

**32. Dividends distribution**

The General Assembly in its extraordinary general meeting held on 28 Shawwal 1443H (corresponding to 29 May 2022) approved to distribute dividends of SR 4 per share, totaling to SR 475.2 million (2021: SR 3.33 per share, totaling to SR 400 million), the dividends were paid.

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**33. Non-controlling interest**

The table below shows details of non-wholly owned subsidiaries of the Group that has significant non-controlling interests as at:

Name of Subsidiary	Proportion of ownership and voting rights acquired by non-controlling interests		Non-controlling share of profit (loss) for the year ended 31 December		Non-controlling interests as of 31 December	
	2022	2021	2022	2021	2022	2021
Giza System Company	11.81%	-	844,104	-	28,890,452	-

Set out below is summarized financial information for Giza Group located in Egypt that has significant non-controlling interests to the Company. The amounts disclosed are before inter-company eliminations.

Summarized balance sheet	Giza Systems 2022
Current assets	1,088,475,325
Current liabilities	(919,098,397)
Current net assets	<u>169,376,928</u>
Non-current assets	26,147,450
Non-current liabilities	(41,119,002)
Non-current net liabilities	<u>(14,971,552)</u>
Equity	<u>154,405,376</u>
Accumulated non-controlling interest	<u>25,209,112</u>

**34. EARNINGS PER SHARE**

The following is the calculation of basic and diluted earnings per share for the year ended 31 December:

	2022	2021
Net profit attributable to equity holders of the Parent Company	1,052,869,093	832,918,610
Weighted average no of shares for basic earnings per share	118,839,691	119,690,959
Weighted average no of ordinary shares repurchased	<u>1,160,309</u>	<u>309,041</u>
Weighted average no of shares for diluted earnings per share	<u>120,000,000</u>	<u>120,000,000</u>
Basic earnings per share attributable to equity holders of the Parent Company	<u>8.86</u>	<u>6.96</u>
Diluted earnings per share attributable to equity holders of the Parent Company	<u>8.77</u>	<u>6.94</u>

### 35. 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:

#### 2022

<i>Financial assets</i>	<i>Category of financial assets</i>	<i>Carrying amount</i>	<i>Fair value level</i>
Cash and cash equivalents and short term murabahas	Amortized Cost	3,244,775,536	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	6,036,460,799	N/A
<b><u>Financial liabilities</u></b>			
Accounts payable and accruals	Amortized Cost	2,588,420,217	N/A

#### 2021

<i>Financial assets</i>	<i>Category of financial assets</i>	<i>Carrying amount</i>	<i>Fair value level</i>
Cash and cash equivalents	Amortized Cost	1,607,556,524	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	4,605,491,482	N/A
<b><u>Financial liabilities</u></b>			
Accounts payable and accruals	Amortized Cost	1,962,684,817	N/A

The amounts for receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk at the reporting date.

### 36. FINANCIAL RISK AND CAPITAL MANAGEMENT

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's presentation/functional currency is Saudi Arabian Riyal ("SAR"). Foreign currency risk arises from net investments in foreign operations. The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Company's presentation currency i.e. SAR. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

#### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EGP exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in EGP to SAR conversion rate	Impact on net income Increase/ (decrease)	Impact on equity Increase/ (decrease)
31 December 2022	+15%	1,112,559	11,977,729
	-15%	(1,112,559)	(11,977,729)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

#### Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2022, if interest rates had been 1% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by SAR 2.6 million (2021: N/A). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

### 36. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

#### 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 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.

	<i>Profit rate %</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
<b>2022</b>				
Accounts payable and accruals	NA	2,544,815,181	-	2,544,815,181
Lease liabilities relating to right of use assets	1.49% to 3.25%	31,858,344	16,907,607	48,765,951
Bank overdraft and borrowings	Multiple rates	194,387,595	502,014,450	696,402,045

	<i>Profit rate %</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
<b>2021</b>				
Accounts payable and accruals	NA	1,902,093,371	-	1,902,093,371
Lease liabilities relating to right of use assets	1.49% to 3.25%	29,443,672	33,417,569	62,861,241

#### Credit risk management

Credit risk related to private 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 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.

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**36. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**Credit risk management (continued)**

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 2022:

<b>31 December 2022</b>	<b>Gross carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss allowance</b>
Unbilled	316,933,034	7.07%	22,411,014
0-90 days	734,374,776	5.62%	41,301,949
91-180 days	154,259,720	10.78%	16,621,970
181 - 270 Days	55,703,947	25.48%	14,190,986
271 - 365 Days	25,388,301	41.15%	10,447,149
More than 1 year	81,461,762	61.67%	50,241,223
	<b>1,368,121,540</b>		<b>155,214,291</b>

<b>31 December 2021</b>	<b>Gross carrying amount</b>	<b>Weighted average loss rate</b>	<b>Loss allowance</b>
Unbilled	<b>105,072,766</b>	7.47%	<b>7,848,936</b>
0-90 days	<b>153,283,859</b>	9.91%	<b>15,190,430</b>
91-180 days	<b>58,657,969</b>	26.20%	<b>15,368,388</b>
181 - 270 Days	<b>20,054,856</b>	47.31%	<b>9,487,952</b>
271 - 365 Days	<b>12,834,043</b>	94.29%	<b>12,101,219</b>
More than 1 year	<b>27,256,956</b>	94.29%	<b>25,700,584</b>
	<b>377,160,449</b>		<b>85,697,509</b>

**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.

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**37. 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 significant transactions with related parties:

	<b>2022</b>	<b>2021</b>
Sales of goods and services (STC) (a)	<b>6,315,462,200</b>	5,592,988,589
Sales of goods and services (STC subsidiaries) (a)	<b>205,832,666</b>	218,819,787
Purchases (STC)	<b>358,978,331</b>	384,351,535
Purchases (STC subsidiaries)	<b>68,950,494</b>	55,519,002
Long term incentive expense charged by the Parent Company	<b>865,749</b>	645,975

- (a) Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 3.8 billion (2021: SR 3.8 billion) for which Parent Company is not the end customer.
- (b) Revenue related to direct transactions with government and government related entities for the year-ended 31 December 2022 is SR 1.5 billion (2021: SR 1.2 billion).

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

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Accounts receivable: gross from STC	14	<b>2,441,802,766</b>	2,261,304,752
Accounts receivable: gross from STC Subsidiaries	14	<b>142,698,500</b>	126,774,708
Contract assets STC		<b>627,911,603</b>	794,252,428
Contract assets STC Subsidiaries		<b>64,170,153</b>	52,669,375
Other assets: receivable from STC	15	<b>8,047,038</b>	8,516,330
Deferred revenue STC		<b>(2,648,834,208)</b>	(2,026,478,823)
Deferred revenue STC Subsidiaries		<b>(40,259,968)</b>	(48,863,483)
Amounts due to STC	22	<b>(223,566,139)</b>	(36,781,932)
Amounts due to STC Subsidiaries		<b>(58,326,247)</b>	(22,483,879)
Accrued connectivity charges STC	22	<b>(48,278,901)</b>	(51,422,467)
Contract liabilities STC		<b>(333,027,385)</b>	(342,275,899)
Contract liabilities STC Subsidiaries		<b>(889,560)</b>	(39,673)
Accrued expenses STC	22	<b>(175,667,329)</b>	(132,994,447)

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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**37. RELATED PARTY INFORMATION (Continued)**

*Age of unimpaired amounts due from Parent Company and its subsidiaries*

	<b>Total</b>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>0 - 3 months</i>	<i>4 - 6 months</i>	<i>7 - 12 months</i>	<i>Over 1 years</i>
<b>2022</b>	<b>2,531,312,469</b>	<b>1,553,304,712</b>	<b>689,211,321</b>	<b>162,823,263</b>	<b>115,743,478</b>	<b>10,229,695</b>
2021	2,308,756,211	1,703,356,671	506,744,301	71,570,695	27,084,544	-

The following compensation was paid to the key management personnel during the year:

	<b>2022</b>	<i>2021</i>
Employment benefits and remuneration	<b>43,830,343</b>	48,381,548
Share based payments	<b>123,367</b>	-
	<b>43,953,710</b>	48,381,548

The following amounts were payable in relation to end of service indemnities and annual leave provision to the key management:

	<b>2022</b>	<i>2021</i>
End of service indemnities and annual leave	<b>13,401,495</b>	8,025,952

**38. 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)

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**38. SEGMENT INFORMATION (continued)**

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

	<b>2022</b>	<b>2021</b>
Core ICT Services	<b>4,771,566,871</b>	3,670,235,022
IT Managed and Operational Services	<b>2,329,678,714</b>	1,951,797,292
Digital Services	<b>1,703,845,267</b>	1,586,304,530
<b>Total revenue</b>	<b>8,805,090,852</b>	7,208,336,844
Total cost of revenue	<b>(6,793,844,744)</b>	(5,500,370,118)
Total operating expenses	<b>(851,014,931)</b>	(808,862,552)
Total non-operating income	<b>11,267,788</b>	4,921,009
Zakat and income tax	<b>(117,785,768)</b>	(71,106,574)
<b>Net profit</b>	<b>1,053,713,197</b>	832,918,609
<b>NET PROFIT ATTRIBUTABLE TO</b>		
Equity holders of the Parent Company	<b>1,052,869,093</b>	832,918,609
Non-controlling interests	<b>844,104</b>	-
Total net profit	<b>1,053,713,197</b>	832,918,609

**39. CAPITAL COMMITMENTS**

The Group had no capital commitments at the reporting date.

**40. CONTINGENT LIABILITIES**

	<b>2022</b>	<b>2021</b>
Letters of guarantee and credit	<b>394,673,180</b>	271,433,635

The above letters of guarantee and credit were issued under a borrowing facility of SR 501 million (2021: 500 million).

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**41. COMPARATIVES**

Certain comparative figures have been reclassified to conform with the classification used for the 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:

	<b>31 December 2021 as previously reported</b>	<b>Reclassification</b>	<b>31 December 2021 as reclassified</b>
Revenue, net	7,815,797,402	607,460,558	7,208,336,844
Cost of revenue	(6,107,830,676)	(607,460,558)	(5,500,370,118)
Gross profit	1,707,963,726	-	1,707,966,726

**42. EVENTS AFTER THE REPORTING DATE**

42-1 The Company announces the signing of a sale and purchase agreement (SPA) on 18 Jumada al-Alkhirah 1444 (corresponding to 11 January 2023) to acquire 100% of Contact Center Company (CCC), for a full cash consideration for the entire acquisition amount. The acquisition will be based on 100% Enterprise Value amounting to SAR 450 million. It was agreed that the acquisition consideration will be based on the agreed terms of the SPA in relation to debt, cash, and working capital. The Company intends to fund the acquisition from its own resources.

42-2 The Board of Directors recommended in its meeting held on 24 Rajab 1444H (corresponding to 15 February 2023) to distribute dividends of SR 5 per share, totaling to SR 594.9 million.

42-3 No other events have arisen subsequent to 31 December 2022 and before the issuance of the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2022.

**43. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements for the year ended 31 December 2022 was approved on the company's board of directors meeting held on 24 Rajab 1444H (corresponding to 15 February 2023).