

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTHS PERIODS ENDED JUNE 30, 2022
AND INDEPENDENT AUDITOR'S REPORT ON REVIEW

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTHS PERIODS ENDED JUNE 30, 2022 AND INDEPENDENT
AUDITOR'S REPORT ON REVIEW

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Independent auditor's report on review of condensed interim consolidated financial statements

To the Shareholders of
Arab Sea Information Systems Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying condensed interim consolidated statement of financial position of **Arab Sea Information Systems Company** ("the Company") and its subsidiaries (collectively referred to as "Group") as of June 30, 2022, and the condensed interim consolidated statement of profit or loss and other comprehensive income for the three and six months periods ended June 30, 2022 and the related condensed interim consolidated statements of changes in equity and cash flows for the six months period then ended, and other explanatory notes. Management is responsible for preparation of this condensed interim consolidated financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants Professional Services Company



Mohammed Bin Farhan Bin Nader
(License No. 435)
Riyadh, Kingdom of Saudi Arabia
12 Muharram 1444 H (Corresponding to 10 August 2022)



ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS OF JUNE 30, 2022
(SAUDI RIYAL)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	5	923,557	681,615
Intangible assets	6	127,883,784	133,861,441
Total non-current assets		128,807,341	134,543,056
Current assets			
Inventory		1,741,220	1,958,915
Prepaid expenses and other current assets		2,410,276	980,560
Trade receivables	7	9,005,618	8,535,754
Cash and cash equivalents		10,028,760	19,515,770
Total current assets		23,185,874	30,990,999
Total assets		151,993,215	165,534,055
EQUITY AND LIABILITIES			
Equity			
Share capital	9	100,000,000	100,000,000
Statutory reserve	10	16,501,562	16,501,562
Retained earnings		25,249,156	30,714,277
Total equity		141,750,718	147,215,839
Liabilities			
Non-current liabilities			
Employees' defined benefits obligations		4,577,774	4,591,534
Total non-current liabilities		4,577,774	4,591,534
Current liabilities			
Deferred revenues		1,003,143	2,703,500
Trade payables		406,503	2,734,275
Accrued expenses and other current liabilities		3,050,017	7,264,930
Zakat provision	11	1,205,060	1,023,977
Total current liabilities		5,664,723	13,726,682
Total liabilities		10,242,497	18,318,216
Total equity and liabilities		151,993,215	165,534,055


Finance Manager


Chief Executive Officer


Board of Directors Member

The accompanying notes are an integral part of these condensed interim consolidated financial statements

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE THREE AND SIX-MONTHS PERIODS ENDED JUNE 30, 2022
(SAUDI RIYAL)

	Notes	For the three-months period ended		For the Six-months period ended	
		June 30, 2022 (unaudited)	June 30, 2021 (unaudited) (Restated note 14)	June 30, 2022 (unaudited)	June 30, 2021 (unaudited) (Restated note 14)
Revenues	12	8,375,357	13,368,155	17,288,322	22,234,143
Cost of revenues		(5,738,048)	(5,120,555)	(12,039,634)	(10,024,374)
Gross Profit		2,637,309	8,247,600	5,248,688	12,209,769
Selling and marketing expenses		(2,177,024)	(2,026,285)	(5,160,446)	(3,970,786)
General and administrative expenses		(3,377,504)	(1,889,605)	(6,227,676)	(3,658,395)
(Loss) / Operating profit		(2,917,219)	4,331,710	(6,139,434)	4,580,588
Other income		1,053,465	23,445	1,249,384	33,519
Finance cost		(35,500)	(29,250)	(71,000)	(58,500)
(Loss) / Operating profit before zakat		(1,899,254)	4,325,905	(4,961,050)	4,555,607
Zakat	11	11,059	48,538	(504,071)	(106,093)
(loss) / Profit for the period		(1,888,195)	4,374,443	(5,465,121)	4,449,514
Other comprehensive income:					
Other comprehensive income items		-	-	-	-
Total (comprehensive loss) / comprehensive income for the period		(1,888,195)	4,374,443	(5,465,121)	4,449,514
(loss) / basic and diluted earnings per share from (loss) / profit for the period attributable to company's shareholders	13	(0.19)	0.44	(0.55)	0.44


Finance Manager


Chief Executive Officer


Board of Directors Member

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ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022
(SAUDI RIYAL)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>For the six months period ended June 30, 2022</u>				
Balance as at January 1, 2022 (Audited)	100,000,000	16,501,562	30,714,277	147,215,839
Loss for the period	-	-	(5,465,121)	(5,465,121)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(5,465,121)	(5,465,121)
Balance as at June 30, 2022 (Unaudited)	100,000,000	16,501,562	25,249,156	141,750,718
<u>For the six months period ended June 30, 2021</u>				
Balance as at January 1, 2021 (Audited)	100,000,000	15,385,505	20,941,453	136,326,958
Prior years adjustments	-	(1,038,895)	(9,304,404)	(10,343,299)
Balance as at January 1, 2021 (Restated audited)	100,000,000	14,346,610	11,637,049	125,983,659
Profit for the period (Restated unaudited)	-	-	4,449,514	4,449,514
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period (Restated unaudited)	-	-	4,449,514	4,449,514
Balance as at June 30, 2021 (Restated unaudited)	100,000,000	14,346,610	16,086,563	130,433,173


Finance Manager


Chief Executive Officer


Board of Directors Member

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ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022
(SAUDI RIYAL)

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited) (Restated note 14)
<u>OPERATING ACTIVITIES:</u>		
(loss) / profit before zakat	(4,961,050)	4,555,607
Adjustments for non-cash items:		
Depreciation of property and equipment	50,429	32,379
Amortization of intangible assets	5,977,657	5,883,809
Gain from disposal of property and equipment	-	(23,075)
Current cost for employees' defined benefits obligations	315,500	254,500
Finance cost for employees' defined benefits obligations	71,000	58,500
Changes in working capital:		
Inventory	217,695	(79,559)
Prepaid expenses and other current assets	(1,429,716)	211,400
Trade receivables	(469,864)	(6,748,195)
Deferred revenues	(1,700,357)	(1,955,655)
Trade payables	(2,327,772)	178,048
Accrued expenses and other current liabilities	(4,214,913)	(1,389,373)
Due to related parties	-	(25,885)
Cash (used in) from operations	(8,471,391)	952,501
Employees' defined benefits obligations Paid	(400,260)	(10,377)
Zakat paid	(322,988)	(1,620,774)
Net cash flows used in operating activities	(9,194,639)	(678,650)
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(292,371)	(58,122)
Proceeds from disposal of property and equipment	-	23,075
Net cash flows used in investing activities	(292,371)	(35,047)
Net change in cash and cash equivalents during the period	(9,487,010)	(713,697)
Cash and cash equivalents at the beginning of the year	19,515,770	2,085,104
Cash and cash equivalents at the end of the period	10,028,760	2,371,407


Finance Manager


Chief Executive Officer


Board of Directors Member

The accompanying notes are an integral part of these condensed interim consolidated financial statements

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

1 CORPORATE INFORMATION OF THE GROUP

Arab Sea Information Systems Company - is a Saudi Joint Stock Company ("the Company"), registered in accordance with companies' law and regulations in the Kingdom of Saudi Arabia under Ministerial Resolution number. (128/M) dated 14/4/1429 H (corresponding to April 21, 2009) by announcing the transformation of Arab Sea Information Systems Company from a Limited Liability Company to a Saudi Closed Joint Stock Company, moreover the Company was registered under commercial registration number 1010169116 issued in Riyadh City on 27 Jumada Al-Akhira 1422 H (corresponding to September 15, 2001).

On March 17, 2020, the Company has submitted a request to move to the main market through the automated system set by the Capital Market Authority after the authority approval of the transfer request. the company's moved to the main market and shares were listed on April 12, 2020.

The head office of the company is located in Riyadh - Kingdom of Saudi Arabia, PO Box: 40268, Postal Code: 11499.

The company's activity is as follows:

- Installation and extension of computer and communication networks.
- Operating systems.
- Retail sale of computers and it's accessories, including (printers and their inks).

The accompanying condensed interim consolidated financial statements includes the results of the business, assets, liabilities and company's activities and its branches, and the details of these branches are as follows:

Branch name	City	Commercial Registration number
Network Solutions Branch of Arab Sea Information Systems Company	Riyadh	1010251079
Arab Sea Training Center	Riyadh	1010664109
Arab Sea Information Systems Company	Buraydah	1131291891
Arab Sea Information Systems Company	Khobar	2051221240
Arab Sea Information Systems Company	Tabuk	3550123009
Arab Sea Information Systems Company	Jaddah	4030287742
Arab Sea Information Systems Company	Khamis Mushait	5855339644

The accompanying condensed interim consolidated financial statements as of June 30, 2022 include the accounts of the Company and its subsidiaries (Collectively referred as the "Group"). The details of the subsidiaries Companies are as follows:

Subsidiary name	Country of incorporation	Ownership percentage	
		June 30,2022	December 31 2021
Arab Sea Financial Company (*)	Kingdom of Saudi Arabia	100%	100%
Era Data Company for Information Technology (Sole proprietorship Company) (**)	Kingdom of Saudi Arabia	100%	-

(*) Arab Sea Financial Company – Sole proprietorship closed joint stock company was established in accordance with the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration number 1010725510 issued in Riyadh city dated on 20 Dhu al-Qa'dah 1442 H (corresponding to June 30, 2021) with a capital of 5 million Saudi riyals, where The company's main activity is in technology in financial services, the subsidiary company did not practice any commercial activity mentioned in its commercial register.

(**) Era Data Company for Information Technology – Sole proprietorship limited liability company was established in accordance with the Companies Law in Kingdom of Saudi Arabia under Commercial Registration number 1010778606 issued in Riyadh city dated on 6 Rajab 1443 H (corresponding to February 7, 2022) with a capital of 5 million Saudi riyals, where The company's main activity is in Registration of providing cloud computing services, the subsidiary company did not practice any of commercial activity mentioned in its commercial register.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

2 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS BASIS OF PREPARATION

2-1 Statement of Compliance

The company's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard number (34) "Interim Financial Reporting" that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These condensed interim consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards, and therefore they should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021. The results for the period are not indication of the annual results for the Group.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared under historical cost convention using going concern basis except for the employees' defined benefits obligations that are measured at present value of future obligation using projected unit credit method, Moreover, these condensed interim consolidated financial statements are prepared using Accrual basis.

2-2 Basis of consolidation of interim condensed financial statements

The group re-assesses whether or not it control an investee if facts and circumstance indicate that there is a change to the elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control over the subsidiary. Assets, liabilities, income and expenses of the acquires subsidiary during the year are included within the interim condensed consolidated financial statement effective from the date the group gains control until the date the group ceases the control over the investee. Specially the group controls are an investee if, and only if, the groups has:

- Control over the investee (i.e., existing rights that give it the current liability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its direct involvement and relationship with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of the investee, the Group considers all relevant facts and circumstances in assessing whether it has power or control over the investee, including:

- The contractual arrangement (or arrangements) with the other voting rights holders within the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Income and each component of Other Comprehensive Income (OCI) are attributed to the equity of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Inter-Group assets, liabilities, equity components, revenues, expenses and cash flows resulting from transactions between Group companies are fully eliminated upon consolidating the interim condensed consolidated financial statements.

2-3 Significant accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued and approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") that requires to use of some significant estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of potential assets and liabilities as of the date of the condensed interim consolidated financial statements. As well as the reported amounts of revenues and expenses during the condensed interim consolidated financial statements period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions regarding the future. The results of accounting estimates, by definition, rarely equal the related actual results. There are no significant estimates that have a significant risk of causing a material adjustment to the carrying amounts of the assets within the next twelve months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

2 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS BASIS OF PREPARATION (CONTINUED)

2-4 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Saudi Riyal, unless otherwise stated. The Saudi Riyal is the functional and presentation currency of the Group.

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ARE EFFECTIVE

There are no new standards issued, however, a number of amendments to standards are effective from 1 January 2022, which are explained in Group's annual consolidated financial statements but they do not have a material impact on the condensed interim consolidated financial statements.

4 CONSISTENT OF ACCOUNTING POLICIES

The accounting policies followed and the methods of calculation applied in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended December 31, 2021.

5 PROPERTY AND EQUIPMENT

Property and equipment additions during the period amounted to SAR 292,371 (June 30, 2021: SAR 58,122). The depreciation expense during the period amounted to SAR 50,429, compared to (June 30, 2021: SAR 32,379).

6 INTANGIBLE ASSETS

Intangible assets represent the cost of developing and creating the SMACC program in addition to a number of accounting applications and programs, the following is a summary of the movement of intangible assets for the period and year ended in:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Cost:		
Balance as at the beginning of the period / year	245,648,341	240,742,655
Additions during the period / year	-	4,905,686
Balance as at the end of the period / year	245,648,341	245,648,341
(Deduct) Accumulated Amortization:		
Balance as at the beginning of the period / year	111,786,900	99,773,837
Amortization during the period / year	5,977,657	12,013,063
Balance as at the end of the period / year	117,764,557	111,786,900
(Deduct) Impairment loss:		
Balance as at the beginning of the period / year	-	11,670,000
Reverse of Impairment for the period / year	-	(11,670,000)
Balance as at the end of the period / year	-	-
Net book value as of the end of the period / year	127,883,784	133,861,441

The group conducted a study to assess the impairment in the value of intangible assets as on December 31, 2021, and assigned Ahmed Muhammad Abdullah Al-Farraj office for business valuation (approved evaluator with license number 4112000053 in the Saudi Authority for accredited valuers). The evaluation was based on assumptions related to future sales volume and prices, annual growth rates, final growth rates, discount rates and other related factors. The results of these assumptions depended largely on the success of future operations according to management's estimates and the realization of its future plans based on the result of the impairment assessment. This assessment resulted in an estimation of intangible assets at the date of the consolidated financial statements in the range of SR 129.3 million to SR 147.6 million (mid-point SR 138.4 million) as at the valuation date based on the present value method of future cash flows. Management has considered the mid-point of SR 138.4 million as a expected recoverable value, and as the book value of intangible assets was less than their recoverable value by 18 million Saudi riyals in the value of intangible assets, accordingly, the group's board of directors decided to reverse the accumulated impairment in the value of the intangibles assets amounting to 11.6 million Saudi riyals, which is closer to the average estimate of the evaluator.

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

7 TRADE RECEIVABLES

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Trade receivables	23,596,730	23,126,866
Less: expected credit loss	(14,591,112)	(14,591,112)
Total	9,005,618	8,535,754

The movement in the expected credit losses for the period / year was as follows:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Balance at the beginning of the period / year	14,591,112	8,521,392
Charged during the period / year	-	6,069,720
Balance as at the end of the period / year	14,591,112	14,591,112

8 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties represent the main shareholders, members of the board of directors and the senior executive management of the Group and the companies in which they are major owners. Prices and terms related to these transactions are approved by the group's management.

Transactions of executive management compensation personnel

Compensation of the group's executive management personnel includes salaries, non-cash benefits and contributions to long-term employment benefits.

Compensation and benefits for senior executive management employees includes the following:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Short-term employee benefits:		
Salaries and benefits of executive BOD members	310,000	240,000
Total	310,000	240,000

9 CAPITAL

The share capital as of June 30, 2022 is 100 million Saudi riyals (December 31, 2021: 100 million Saudi riyals), divided into 10 million shares as of June 30, 2022 (December 31, 2021: 10 million shares) with a nominal value of 10 Saudi riyals per share.

10 STATUTORY RESERVE

In accordance with Company's articles of association and Company's By-laws and regulations for companies, the Company is required to transfer 10% of its net profit each year to establish a statutory reserve until this reserve reaches 30% from the capital.

11 ZAKAT PROVISION

The movement in zakat provision during the period / year was as follows:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Balance as at the beginning of the period / year	1,023,977	3,944,018
Charged for the period / year	181,083	781,361
Charged from the previous years	322,988	-
Paid during the period / year	(322,988)	(3,701,402)
Balance as at the end of the period / year	1,205,060	1,023,977

ARAB SEA INFORMATION SYSTEMS COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

11 ZAKAT PROVISION (CONTINUED)

Zakat status:

The Company has finalized its zakat position until 2021, and there are no zakat assessments with Zakat, Tax and Customs Authority until the date of interim condensed consolidated financial statements. The Company has submitted the annual consolidated financial statements and its zakat returns for the year 2021, and zakat due was paid and zakat certificate has been obtained.

12 REVENUES

Below is a breakdown of the Group's revenues from contracts by type of goods (revenues for software and hardware licenses) or services (revenues for maintenance services and technical support), the timing of revenue recognition and the type of customers:

	(Saudi Riyal)			
	For the Three-months period ended		For the Six-months period ended	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Revenue recognition timing				
<u>At the point of time</u>				
Revenue from software licenses and hardware	8,028,755	11,166,027	16,398,837	18,998,056
<u>Over the period of time</u>				
Revenue from maintenance and technical support services	<u>346,602</u>	<u>2,202,128</u>	<u>889,485</u>	<u>3,236,087</u>
Total	<u><u>8,375,357</u></u>	<u><u>13,368,155</u></u>	<u><u>17,288,322</u></u>	<u><u>22,234,143</u></u>

Most of the group's revenues are generated from private sector.

13 (LOSS) / PROFIT PER SHARE - BASIC AND DILUTED

Basic (loss) / profit per share is calculated by dividing the (loss) / profit attributable to the shareholders of the Company by the weighted average number of ordinary shares issued during the period and previous period (10 million Saudi riyals). Since the company does not have any diluted potential shares, the diluted (loss) / profit for per share is the same as the basic (loss) / profit for the per share.

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

14 PRIOR YEARS ADJUSTMENTS

During 2021, management of the group has restated 2021 comparative financial information to correct certain errors identified in prior years financial statements, which are explained in Note 14- B. The impact of correction of such error is as follows:

The following adjustments to the consolidated statement of financial position as of January 1, 2021:

(Saudi Riyal)				
As of January 1, 2021				
Notes	January 1, 2021	Adjustments Impact	January 1, 2021	
	(Before adjustment)		(After adjustment)	
Inventory	B-1	12,194,944	(10,343,299)	1,851,645
Statutory reserve	B-2	15,385,505	(1,038,895)	14,346,610
Retained earnings	B	20,941,453	(9,304,404)	11,637,049

The following adjustments to the condensed interim consolidated statement of profit or loss and other comprehensive income for the period ended June 30, 2021:

(Saudi Riyal)					
For the period ended June 30, 2021					
Notes	June 30, 2021	Adjustments Impact	Reclassification	June 30, 2021	
	(Before adjustment)			(After adjustment)	
Revenues	22,234,143	-	-	22,234,143	
Cost of revenues	(5,449,788)	(4,574,586)	-	(10,024,374)	
Gross profit	16,784,355	(4,574,586)	-	12,209,769	
Selling and marketing expenses	(3,970,786)	-	-	(3,970,786)	
General and administrative expenses	(3,716,895)	-	58,500	(3,658,395)	
Operating profit	9,096,674	(4,574,586)	58,500	4,580,588	
Other revenue	33,519	-	-	33,519	
Finance cost	-	-	(58,500)	(58,500)	
Profit before Zakat	9,130,193	(4,574,586)	-	4,555,607	
Zakat	(106,093)	-	-	(106,093)	
Total comprehensive income for the period	9,024,100	(4,574,586)	-	4,449,514	
Basic and diluted EPS from profit for the period	0.90	(0.46)	-	0.44	

A – Reclassification

Comparative figures for the period ended June 30, 2021 have been reclassified to conform to the presentation and classification for current year.

B - Explanatory notes to the reconciliation / impact of the consolidated statement of financial position as at January 1, 2021, and the condensed interim consolidated statement of comprehensive income for the period ended June 30, 2021:

B-1 During 2021, the group reassessed the recognition of inventories related to software and identified that such inventories should have not been recorded. Accordingly, management corrected comparative financial information related to software inventories with corresponding impact on the retained earnings amounted to 10,343,299 Saudi riyals as of January 1, 2021 and as of June 30, 2021 and adjusted cost of revenues by 4,574,586 Saudi riyals for the period ended June 30, 2021.

B-2 The Group has adjusted the allocation to the statutory reserve made in prior years after considering the impact of above adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

15 OPERATIONAL INFORMATION

Operational sector

The group's products originate in the Kingdom of Saudi Arabia, and it has only two sectors, namely the sector of selling licenses to use software and applications, and the hardware sector. Neither of the two segments achieved the limits mentioned in IFRS 8 "Operating Segments" to disclose their information. The types of revenues and other information and details were disclosed in note (12).

Geographical sector

The Group operates entirely within the Kingdom of Saudi Arabia.

16 FAIR VALUE

Fair value is the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Within the definition of fair value there is an assumption that the Group will continue to operate as there is no intention or requirement to materially reduce the size of its operations or to conduct a transaction on adverse terms.

A financial instrument is considered to be listed in an active market if the listed prices are readily and regularly available from an exchange dealer, industry group broker, pricing services, or regulatory commission, and these prices represent market transactions that have actually occurred and regularly on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities that can be obtained at the measurement date.

Level 2: Inputs other than listed prices included in Level 1 that are observable for the asset or liability, directly (eg prices) or indirectly (derived from prices).

Level 3: Inputs for assets and liabilities that are not based on observable market information (unobservable inputs).

All financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

17 SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the period ended June 30, 2022 that could have a material impact on the condensed interim consolidated financial position of the Group or the results of its operations.

18 COMPARATIVE FIGURES

Comparative figures for the period ended June 30, 2021 have been reclassified to conform to the current period's presentation and classification.

19 APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements approved by the board of directors of the group on 12 Muharram 1444 H (Corresponding to 10 August 2022).