

ELM COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT-STOCK COMPANY)

FORMERLY KNOWN AS

“AL ELM INFORMATION SECURITY COMPANY”

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021

AND INDEPENDENT AUDITOR'S REVIEW REPORT

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of
Elm Compny
"A Saudi Closed Joint Stock Company"
Riyadh – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Elm Company** ("the Company") and its subsidiaries (together "the Group") as of 30 September 2021 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine months period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statement in accordance with International Accounting Standard 34 – ("IAS 34") "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The interim condensed consolidated financial statements for the Group for three and nine months ended on September 30, 2020 were reviewed by another auditor, and an unmodified report was issued on 08 August 2021. The Group's consolidated financial statements for the fiscal year ending on 31 December 2020, were also reviewed by another auditor, and an unmodified report was issued on those consolidated financial statements on 08 April, 2021.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on 09 Jumada 'I 1443 (H)
Corresponding to 13 December 2021 (G)

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHNSIVE
INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

	Note	For the three months period ended September 30		For the nine months period ended September 30	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	19	966,780,802	615,918,510	2,758,204,023	1,547,645,407
Cost of revenue	19	(639,464,402)	(368,991,456)	(1,849,497,195)	(1,085,680,084)
Gross profit		327,316,400	246,927,054	908,706,828	461,965,323
Expenses					
General and administrative	15	(68,980,746)	(54,871,355)	(194,217,884)	(164,815,872)
Selling and marketing	16	(26,206,046)	(20,150,077)	(68,930,997)	(52,136,376)
Depreciation and amortization		(30,466,840)	(27,771,092)	(83,700,349)	(81,335,071)
Expected Credit Losses	23-C	(5,355,847)	-	(62,632,880)	-
Operating profit		196,306,921	144,134,530	499,224,718	163,678,004
Return on short-term deposits	9	2,172,737	1,257,473	6,844,033	9,241,590
Share in result of investment in associates	25	541,161	-	559,795	-
Gains on Financial Assets Measured at (FVTPL)	4-B & 4-C	326,498	-	20,859,057	-
Finance costs		(947,759)	(1,603,263)	(3,866,741)	(4,845,625)
Other (expenses) / income, net	17	37,642	4,197,856	(3,112,275)	6,469,065
Profit before zakat for the period		198,437,200	147,986,596	520,508,587	174,543,034
Zakat	20	(20,833,233)	-	(63,885,324)	-
Net Profit for the period		177,603,967	147,986,596	456,623,263	174,543,034
Other Comprehensive Income for the period					
<i>Items that will not be reclassified subsequently to profit and loss:</i>					
Re-Measurement of End of service benefits provision		-	-	-	-
Total comprehensive income for the period		177,603,967	147,986,596	456,623,263	174,543,034
Earnings per share (in Saudi Riyal):					
Basic and diluted earnings per share from operating profit	22	2.45	1.80	6.24	2.05
Basic and diluted earnings per share from net profit	22	2.22	1.85	5.71	2.18

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021
(Saudi Riyals)**

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		355,192,116	373,732,417
Capital work in progress		71,555,589	108,538,021
Intangible assets		135,745,773	82,978,472
Right-of-use assets		115,521,301	131,457,589
Other financial assets	4	100,117,987	45,444,261
Investment in associates	25	922,351	212,556
Total non-current assets		779,055,117	742,363,316
Current assets			
Accounts receivable	5	1,906,494,968	1,370,495,889
Contract assets	6	866,806,342	269,127,254
Bank deposits	9	447,638,601	537,968,184
Other financial assets	4	350,326,498	-
Prepaid expenses and other debit balances	7	143,496,261	91,588,234
Cash and cash equivalents	8	457,318,121	1,013,318,368
Total current assets		4,172,080,791	3,282,497,929
TOTAL ASSETS		4,951,135,908	4,024,861,245
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	10	800,000,000	50,000,000
Proposed increase in capital	11	-	450,000,000
Statutory reserve	12	25,000,000	25,000,000
Other reserves	12	(35,371,085)	(35,371,085)
Retained earnings		1,900,930,057	1,744,306,794
Total equity		2,690,558,972	2,233,935,709
Liabilities			
Non-current liabilities			
End of service benefits provision	13	246,484,428	228,121,038
Lease liabilities – non-current		107,987,906	101,534,296
Liabilities for purchasing property – non-current		50,142,450	74,255,782
Total non-current liabilities		404,614,784	403,911,116
Current liabilities			
Accrued expenses and other liabilities	14	1,090,506,357	791,359,463
Accounts payable		393,184,736	226,711,828
Contract liabilities		241,104,867	227,282,520
Zakat	20	85,621,234	65,690,341
Liabilities for purchasing property – current		24,113,331	23,496,470
Due to related parties	18	19,423,079	24,104,741
Lease liabilities - current		2,008,548	28,369,057
Total current liabilities		1,855,962,152	1,387,014,420
Total liabilities		2,260,576,936	1,790,925,536
TOTAL EQUITY AND LIABILITIES		4,951,135,908	4,024,861,245

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

	Notes	Issued and paid up capital	Proposed increase in capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2020 (Audited)		50,000,000	-	25,000,000	(36,497,493)	1,471,059,713	1,509,562,220
Net profit for the period		-	-	-	-	174,543,034	174,543,034
Other comprehensive income		-	-	-	-	-	-
Total comprehensive period income for the period		-	-	-	-	174,543,034	174,543,034
Book value resulted from acquisition		-	416,667,946	-	-	-	416,667,946
Balance as at September 30, 2020 (Unaudited)		50,000,000	416,667,946	25,000,000	(36,497,493)	1,645,602,747	2,100,773,200
Balance as at January 1, 2021 (Audited)		50,000,000	450,000,000	25,000,000	(35,371,085)	1,744,306,794	2,233,935,709
Net profit for the period		-	-	-	-	456,623,263	456,623,263
Other comprehensive income		-	-	-	-	-	-
Total comprehensive period income for the period		-	-	-	-	456,623,263	456,623,263
Transferred to proposed increase in capital	11	-	300,000,000	-	-	(300,000,000)	-
Transferred to capital	10	750,000,000	(750,000,000)	-	-	-	-
Balance as at September 30, 2021 (Unaudited)		800,000,000	-	25,000,000	(35,371,085)	1,900,930,057	2,690,558,972

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat for the period	520,508,587	174,543,034
<i>Adjustments for non-cash items:</i>		
Depreciation and amortization	83,700,349	81,335,071
Expected credit loss	62,632,880	-
(Gain) / loss from disposal of property, plant and equipment	(663,363)	831
End of service benefits provision	35,820,069	36,450,618
Gains on Financial Assets Measured at FVTPL	(20,859,057)	-
Share in result of investment in associates	(559,795)	-
Bank deposits income	(6,844,033)	(9,241,590)
Finance costs	3,866,741	4,845,625
	677,602,378	287,933,589
<i>Working capital adjustments:</i>		
Accounts receivable	(594,039,845)	(183,665,022)
Prepaid expenses and other debit balance	(41,268,130)	11,438,577
Contract assets	(602,284,676)	(73,995,820)
Accounts payable	166,472,907	10,478,554
Contract liabilities	13,822,347	65,821,247
Due to related parties	9,214,116	1,455,300
Accrued expenses and other liabilities	300,179,602	(36,116,958)
Cash (used in) / generated operations	(70,301,301)	83,349,467
Zakat paid	(43,954,431)	-
Proceeds from bank deposits income	3,943,840	6,679,875
End of service benefits paid	(17,456,679)	(7,646,720)
Net cash (used in) / generated from operating activities	(127,768,571)	82,382,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank deposits	90,329,583	613,403,575
Purchase of property, plant and equipment and intangible assets	(20,512,789)	(14,845,639)
Cash acquired due to acquisition of subsidiary	-	245,672,583
Proceeds from sales of property, plant and equipment	71,127	2,140
Investment in associates	(150,000)	(60,000)
Other financial assets	(384,141,167)	(15,934,242)
Payments for capital works in progress	(43,385,723)	(55,537,230)
Net cash (used in) / generated from investing activities	(357,788,969)	772,701,187
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities for purchasing property	(28,151,006)	(16,753,563)
Repayment of lease liabilities	(23,496,471)	-
Finance cost paid	(4,195,884)	(802,768)
Payments to related parties	(14,599,346)	(14,521,083)
Dividends paid	-	(33,487,000)
Net cash used in financing activities	(70,442,707)	(65,564,414)
Net (decrease) / increase in cash and cash equivalents	(556,000,247)	789,519,395
Cash and cash equivalents at the beginning of the period	1,013,318,368	104,827,765
Cash and cash equivalents at the end of the period	457,318,121	894,347,160
Significant non-cash transactions:		
Transfer from capital work in progress to property, plant and equipment and intangible assets	80,368,156	24,315,249
Additions to Right of use assets	(8,244,115)	-

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

1. INFORMATION ABOUT THE COMPANY

Elm Company (Formerly known as Al Elm Information Security Company) (the "Company") was established in Riyadh, Kingdom of Saudi Arabia, as a Saudi Limited Liability Company on Shawwal 24, 1408H (corresponding to June 8, 1988). It was converted to a Single Person Saudi Closed Joint Stock Company under the Royal Decree Number (M/90) dated Dhul-Qa'dah 3, 1428H (corresponding to November 13, 2007), and registered under commercial registration number 1010069210. The company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia. According to the company's article of association, the board of directors consists of seven members appointed by the Public Investment Fund, of whom four members are nominated by the Ministry of Interior. The company's head office is located in Al Thaghr - Al Nakheel Dis. 6614, Digital City, Riyadh, Kingdom of Saudi Arabia.

On January 5, 2021, the company's name was changed from Elm Information Security Company to Elm Company, this was due to a resolution issued during the Extraordinary General Assembly meeting held on November 10, 2020.

The company's activities consist of providing information security services and working in the field of electronic business, exchange of credit information, managing and operating data and information centers, import, develop, sell and maintain devices, machines, spare parts, softwares, information systems and communication networks, providing purchasing and selling sites through the internet, and working in the field of training and workforce development.

The principal activity of the company is to provide safe electronic services to the government and private sectors and individuals through providing a center for a large database that serves the community as a whole while taking into consideration the privacy in those dealings. Also providing support services which specializes in the support for public sectors to provide public interaction services and operational work for these sectors. And providing IT solutions and consultation services in the field of information technology which is provided mainly to the public sector. The company provides its services to clients through the following principal business sectors:

- 1- Product Suites: Specializes in providing electronic services to the government and private sectors.
- 2- Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.
- 3- Digital custom solutions: Specializes in providing digital solutions in the field of information technology.
- 4- Training solutions: Specializes in providing training solutions in various fields.
- 5- Consulting: Specializes in providing consultation solutions to the government and private sectors.

Below is a list of some of the electronic services provided by the company:

- | | |
|-------------------|-------------------------------------|
| 1- Yakeen service | 4- Tamm service |
| 2- Muqem service | 5- Absher platform |
| 3- Umrah service | 6- Health insurance linkage service |

Below is a description of some of the services provided by the company:

- 1- "Yakeen" service: This service provides electronic verification of identity, and it corrects and updates the relevant databases automatically, as it allows its subscribers to verify the data of their customers before entering it into their databases, it also enables them to update what was previously entered into their database according to what is available in the records of the National Information Center. This service also includes several sub services, in which the most important is the service of verifying the identity of the subscribers in Initial Public Offering.

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

- 2- "Muqem" service: It is an information system that works on the internet and which allows beneficiaries to view information related to their sponsored persons as approved by the General Directorate of Passports. The system provides information on each sponsored person related to the beneficiary, and it also assists the beneficiaries to improve human resources management through providing employment data and reports in a form of various groups of services.
- 3- "Umrah" service: Umrah services integrates the Ministry of Hajj with the Ministry of Interior and the Ministry of Foreign Affairs to automatically transfer data upon the entry and exit of pilgrims to underlying Umrah companies, and to pre-issue border number. This service is performed in cooperation with the Ministry of Hajj, through licensed companies to provide data to different Umrah companies. Hajj services are based on automatic transferring and registering of data for pilgrims so that the companies can give an immediate response to the requests of the applicants to obtain Hajj permits through either acceptance or rejection, in addition to registering the data of accepted applicants automatically.
- 4- "Tamm" service: Tamm service provides some electronic traffic management services to the beneficiaries from public and private sectors to enable those relevant transportation and automobile sectors to inquire about the data of their vehicle fleets owned by the sectors and to update the databases of traffic with the data of the vehicles they trade with and transferring its ownership once sales deals are completed, and renew its license, and determine the actual driver or authorized person to drive inside and outside the Kingdom, and enables car dealerships to issue ownership licenses and vehicle registration plates immediately.
- 5- "Absher" platform: It is an integrated digital platform for the services of the Saudi Ministry of Interior which allows governmental parties, citizens, residents and owners of institutions to execute services related to the General Directorate of Traffic, Agency of Civil affairs, the General Directorate of Passports, and others through interactive electronic operations that depends on technical linkage with the relevant authorities and the national information center. For purposes of easing access of services to the beneficiaries, an application for smartphone devices has been developed, and the services have been distributed on sub-platforms as needed: Absher for individuals, Absher for businesses, and Absher for government.

Subsidiaries

The Company has established Emdad Al Khebrat Company Limited, a Limited Liability Company registered under commercial registration number 1010414975 on Rajab 22, 1435H (corresponding to May 21, 2014). The Company is wholly owned by Elm Company and it is headquartered in Riyadh. The principal activity of Emdad Al Khebrat Company is to manage call centers, service centers and to provide consultation services in the field of electronic business, operation and maintenance, import, export and sale of devices, hardware, software, systems and workforce development.

The Company has established Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010599252 on Safar 16, 1441H (corresponding to October 15, 2019). The Company is wholly owned by Elm Company and it is headquartered in Riyadh. The principal activity of the company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

The Company has established Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on Rabi Al Awal 8, 1441H (corresponding to November 5, 2019). The Company is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The Company is headquartered in Riyadh. The principal activity of the company is in financial services, experienced consultancy activities in the field of management and computer programming.

The Company has established Umrah Company for Specialized Services, a Single Person Limited Liability Company registered under commercial registration number 1010656805 on Safar 12, 1442H (corresponding to September 30, 2020). The company is wholly owned by Elm Company and is headquartered in Riyadh. The principal activity of the company is bus transport of passengers between the cities, catering services for Hajj and Umrah, inspection of different systems and measuring their performance, providing marketing services on behalf of others, marketing and reservation of tourist accommodation units, reception and farewell services for pilgrims. The Company has not yet commenced its business operations.

During 2020, the Company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the company) to purchase 100% of the share capital of The Saudi Electronic Information Exchange Company "Tabadul", with all its rights and obligations and as per agreement, the economic rights and obligations is calculated beginning from January 1, 2020 with a book value of SR 450,154,946 minus the earnings payable for 2019 with an amount of SR 33,487,000. Tabadul is a closed Saudi joint stock company, was established under Royal Decree No. M / 39 of Rajab 7, 1430 AH corresponding to December 31, 2009, and registered under Commercial Registry No. 1010274503, and its head office is located in Riyadh. It operates in the IT sectors, Communications, installation, maintenance, support and support of communications and information technology programs, systems and applications. As well as owning, establishing, developing, operating and managing communication and information technology facilities and participating in the development, establishment, operation, maintenance and management of technical areas.

The company established Asdam Digital, under the Commercial Companies Law in Dubai, which is a free zone company with limited liability registered with Commercial Registration No. 99019, on Safar 9, 1443 AH (corresponding to September 16, 2021) and its headquarters is in Dubai, and it is 100% owned by Future Resources Company Ltd. The company is a provider of consulting services, customer service, development and delivery of solutions and support service providers for technical systems. The Company has not yet commenced its business operations.

The company and its subsidiaries mentioned above are referred to collectively as the "Group" in these interim condensed consolidated financial statements.

Elm Digital Payment Company Limited

On June 7, 2021, the company wrote off the commercial register of Elm Digital Payments Limited, a one-person limited liability company registered with Commercial Registration No. 1010619996, the Company has not commenced its business operations.

2. BASIS OF PREPARATION

a. Accounting standards applied

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia, and the other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

b. Basis of consolidation

The accompanying interim condensed consolidated financial statements include the financial statements of Elm Company and its subsidiaries ("collectively referred to as the Group").

The subsidiary is an entity controlled by the Group. The Company controls an enterprise when it has controlling interest over the investee company and when the Company is exposed to variable returns or has rights to these returns as a result of its participation with the entity and it also has the ability to influence these returns through the power it exerts on the enterprise.

The results of subsidiaries acquired or excluded during the year are included in the interim condensed consolidated statement of profit or loss and other comprehensive income from the actual acquisition date or until the actual date of disposal, as appropriate.

All inter-company balances, significant transactions, and revenue and expenses between the company and its subsidiaries are eliminated upon consolidation of the interim condensed consolidated financial statements.

The non-controlling interests in the net assets of the subsidiary are determined separately from the equity of the company. Since the subsidiaries are wholly owned by the company. There are no non-controlling interests to be disclosed.

The accounting policies applied by the subsidiaries are in accordance with the group's accounting policies. Adjustments are made to the financial statements of the subsidiaries to comply with the financial statements of the group, as required.

c. Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for employee end of service benefits provision which has been measured at the present value of future obligations in addition to other financial assets which are measured at fair value through other comprehensive income and fair value through profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

d. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals which represents the functional currency of the Group.

e. Use of assumptions and estimates

The preparation of the interim condensed consolidated financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the interim condensed consolidated financial statements and the amounts of revenue and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and procedures, actual results may ultimately differ from these estimates due to circumstances out of the Groups' control.

The estimates and underlying assumptions are reviewed on an ongoing basis, and adjustments to accounting estimates are recognized in the period in which the estimates are revised if the adjustment affects only that period or in the period of the review and future periods if the adjustment affects current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these interim condensed consolidated financial statements are the same policies used in preparing the consolidated financial statements for the year ended December 31, 2020.

New and amended International Financial Reporting Standards ("IFRS") and Interpretations

- 'Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16': The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
 - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
 - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
 - Provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

**ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021
(Saudi Riyals)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

The Group has not early adopted the following new or amended standards when preparing these interim condensed consolidated financial statements and it is expected that these standards may have no material impact on future periods:

<u>New and amended IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Provisions, Contingent Liabilities, and Contingent Assets (Amendments to IAS 37)	January 1, 2022
Annual Improvements to IFRS Cycle 2018–2020	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Insurance Contracts (Amendments to IFRS 17)	January 1, 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable. The adoption of these new standards, interpretations and amendments may have no significant impact on the consolidated financial statements of the Group in the period of initial application.

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4. OTHER FINANCIAL ASSETS

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<u>Financial assets at FVTPL</u>		
<i>Advance payment for future equity</i>		
Foodics Company (A)	-	6,248,385
Zid Company (B)	-	4,923,322
Sahl Almadar Company	6,210,221	6,210,221
Smart National Solutions Company	5,758,610	5,758,610
	11,968,831	23,140,538
<u>Investment Funds</u>		
Money Market Funds (C)	350,326,498	-
	362,295,329	23,140,538
<u>Financial assets at FVTOCI</u>		
<i>Unquoted equity investments</i>		
Sayarah Company (D)	35,574,769	10,566,851
Zid Company (B)	29,206,781	-
Unifonic Company	10,108,716	10,108,716
Foodics Company (A)	6,248,385	-
Cura Company (E)	4,987,500	-
Bayzat Company	1,057,577	662,728
Healthifyme Company	965,428	965,428
	88,149,156	22,303,723
Current	350,326,498	-
Non-current	100,117,987	45,444,261

(A) During the first quarter of 2021, the group signed an agreement to transfer its Advance payment for future equity into Shares in Foodics; this transaction has resulted in owning 134,824 shares.

(B) During the second quarter of 2021, the Group signed agreement to increase its investment in Zid Company with a total amount of SR 3.7 million. In addition to that, the group has transferred the advance payment for future equity into shares. The group has revaluated advance payment for future equity and this resulted in gains at fair value through profit and loss "FVTPL", as follows:

	<u>Fair Value level</u>	
As of January 1, 2021		4,923,322
Gain on revaluation measured at FVTPL	Level 3	20,532,559
Additional investment		3,750,900
		29,206,781

Accordingly, the valuation of the investment in Zid and Foodics will be at fair value through other comprehensive income in the future, rather than through profit or loss.

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4. OTHER FINANCIAL ASSETS (CONTINUED)

- (C) During the third quarter of 2021, the group invested in a public-open fund, which aims to achieve low-risk returns for unit holders while preserving capital and providing liquidity, during the third quarter of the year 2021, there were gains in fair value through profit or loss included within the second fair value level of SR 326,498.
- (D) During the third quarter 2021, Future Resources Company, one of the group's subsidiaries, participated in an equity round for investment in "Sayara" company, a company incorporated under the Commercial Companies Law in the British Virgin Islands under Commercial Registration No. 1924624 and provides many services provided to buyers and sellers Cars through the "Syarah Online" platform, which is an integrated shopping platform that provides its customers with financing, marketing, a brief report and other services, with an amount of SR25,007,917, and thus the total investment of the group in a car company is 35,574,769 Saudi riyals.
- (E) During the third quarter of 2021, Future Resources Company, one of the group's subsidiaries, participated in an Equity round for investment in "Cura" company, a company incorporated under the Cayman Islands Commercial Companies Law under Commercial Registration No. 364331. The company provides an application on smart phones that enables users to obtaining remote medical consultations by communicating with certified doctors, for an amount of SR4,987,500.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Government receivables	1,529,856,310	1,079,622,741
Trade receivables	619,225,319	475,419,043
	2,149,081,629	1,555,041,784
Expected credit losses allowance	(242,586,661)	(184,545,895)
	1,906,494,968	1,370,495,889

The movement in the allowance for expected credit loss is as follows:

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Opening balance for the period / year	184,545,895	174,521,121
Resulted from Acquisition	-	1,979,093
Formed of provision during the period / year	58,040,766	8,045,681
Ending balance for the period / year	242,586,661	184,545,895

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6. CONTRACT ASSESTS

Contract assets represent revenues earned from services performance obligation preformed by the group that were not invoiced to customers until the date of the interim condensed consolidated financial statements, and these revenues will be invoiced during subsequent periods, or achieve contractual terms to issue invoice to customers.

Contract assets consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Government receivables	881,927,704	303,722,143
Trade receivables	49,537,816	25,458,701
	931,465,520	329,180,844
Expected credit losses allowance	(64,659,178)	(60,053,590)
	866,806,342	269,127,254

The movement of expected credit losses is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance for the period / year	60,053,590	33,306,711
Formed of provision during the period / year	4,605,588	26,746,879
Ending balance for the period / year	64,659,178	60,053,590

7. PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred costs	43,057,502	24,330,173
Value Added Tax "VAT"	21,181,931	11,670,302
Employees receivable	19,123,300	19,184,194
Prepaid insurance and subscription and rent	35,340,297	30,179,661
Advances to suppliers	7,204,018	3,731,988
short-term deposits accrued interest income	3,263,493	909,159
Other	14,325,720	1,582,757
	143,496,261	91,588,234

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash at banks	187,548,822	247,918,068
Short term Murabaha deposits (a)	269,769,299	765,400,300
	457,318,121	1,013,318,368

(a) The balance of short-term Murabaha deposits consists of short-term deposits of one to three months.

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9. BANK DEPOSITS

The balance of long-term bank deposits consists of long-term deposits with a term of more than three months and less than 12 months. The average commission is 0.8% annually. The interim condensed consolidated statement of profit or loss includes total deposit income of SR 6.8 million during the period ended September 30, 2021 (September 30, 2020: SR 9.2 million).

10. ISSUED AND PAID UP SHARE CAPITAL

The issued and paid up share capital consist of 80,000,000 ordinary shares with a nominal value of SR 10 per share (2020: 5,000,000 Shares with a nominal value of SR 10 per share).

11. PROPOSED INCREASE IN CAPITAL

During the year 2020, the general assembly agreed to increase the company's capital by an amount of SR450,000,000 by transferring an amount of SR33,332,054 from the retained earnings and an amount of SR416,667,946 resulting from the acquisition of Tabadul company (note 1) by issuing 45,000,000 ordinary shares. During the first quarter of 2021, the company issued 45,000,000 additional shares with a nominal value of SR 10 per share.

On June 20, 2021, the general assembly agreed to increase the company's capital by SR300,000,000 by transferring it from the retained earnings by issuing an additional 30,000,000 shares with a nominal value of 10 Saudi riyals. The statutory procedures for increasing the capital were completed on July 1, 2021, thus the issued and fully paid up capital consisted of 80,000,000 shares at a value of SR10 per share.

12. RESERVES

(A) Statutory Reserve

In line with the requirements of the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Group shall transfers 10% from annual net profit to statutory reserve until it reaches 30% of issued capital value. This reserve is not distributable to the company's shareholder. Transfer to the statutory reserve is made in the audited financial statements on December 31 of each year.

(B) Other Reserves

Other reserves component consists of re-measurement of provision for employees' end of service benefits in addition to revaluation of investments through other comprehensive income, given that there was no movement on these balances during the reporting period.

13. END OF SERVICES BENEFITS PROVISION

Movement in the present value of end of service benefits provision:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance for the period / year	228,121,038	184,382,388
Cost Resulted from Acquisition	-	8,080,303
Current service cost	32,501,946	42,669,687
Current service financing cost	3,614,031	6,859,155
Transferred Cost	(295,908)	(928,020)
Benefits paid	(17,456,679)	(12,682,800)
Re-measurement losses	-	(259,675)
Ending balance for the period / year	246,484,428	228,121,038

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14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Contractual costs	417,206,370	337,262,446
Profit sharing projects	255,018,323	121,158,477
Employee accruals	190,042,294	187,541,074
Advances from customers	164,250,132	88,794,120
Marketing and sales commissions	29,039,924	23,614,159
Legal Provision	15,851,258	15,851,258
Retention payable	9,584,737	10,346,427
Others	9,513,319	6,791,502
	1,090,506,357	791,359,463

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the nine months period ended September 30, is as follows:

	2021	2020
	(Unaudited)	(Unaudited)
Salaries and employee benefits	149,581,750	122,479,142
Consulting and professional services	14,615,478	14,485,986
Subscription and memberships	6,943,264	2,742,294
Outsourcing	4,896,698	3,577,302
Hospitality and activities	4,477,006	7,564,316
Utilities and communications	2,683,212	3,584,562
Repair and maintenance	1,232,272	2,299,632
Other expenses	9,788,204	8,082,638
	194,217,884	164,815,872

16. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the nine months period ended September 30, is as follows:

	2021	2020
	(Unaudited)	(Unaudited)
Salaries and employee benefits	57,288,492	36,472,400
Sadad service	5,358,567	4,123,401
Public relations	2,392,480	3,218,217
Advertising and exhibitions	3,191,986	7,799,413
Other expenses	699,472	522,945
	68,930,997	52,136,376

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17. OTHER (EXPENSES) / INCOME, NET

Other (expenses) / income for the nine month period ended September 30, is as follows:

	2021	2020
	(Unaudited)	(Unaudited)
Donations	(5,000,000)	-
Funds received from HRDF related to Saudization (Formed) / reversal of legal claims	1,692,461	3,033,952
	(15,517)	3,000,400
Others	210,781	434,713
	(3,112,275)	6,469,065

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of the shareholder of the group, associates and affiliate companies, directors and senior management employees of the group. The terms and conditions of these transactions are approved by the Group's management. In accordance with the normal circumstances of transactions, the group conducts transactions with related parties including dealing with the Public Investment Fund (the main shareholder), members of the board of directors, executives and other companies owned by the Public Investment Fund or members of the board of directors of those companies. All of these transactions are carried out according to the terms agreed upon by the Group's management. During the period, the Group transacted with the following related parties:

<u>Related party</u>	<u>Relationship</u>
Public Investment Fund	Ultimate owner
Senior executive managers	Employees
Board of directors	Members
Unifonic company	Investee
Smart National Solution Company	Affiliate

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18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Below are the details of related party's significant transactions and during the period ended September 30:

	2021	2020
	(Unaudited)	(Unaudited)
Transactions with the shareholder		
Service revenues	28,922,848	18,697,381
Dividends paid	-	33,487,000
Transaction with board of directors and senior executive managers		
Salaries and benefit	20,818,465	13,018,573
Remunerations and allowances	13,781,458	11,410,960
End of service benefits	2,076,671	1,359,250
	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Balances:		
Due from related parties included in trade receivable for service revenue	49,681,436	24,289,551
Due to Related Parties		
Loan from Public Investment Fund	-	13,895,778
Unifonic Company	17,436,579	8,092,751
Smart National Solution Company	-	129,712
Dividends payable	1,986,500	1,986,500
	19,423,079	24,104,741

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19. SEGMENT INFORMATION

A) The following are the selected financial information for these segments:

**For the period ended
September 30, 2021
(Unaudited)**

	Product suits	Business process outsourcing	Digital custom solutions	Consultation	Nationalization & Upskilling	Total
Revenues	1,397,699,923	892,076,732	134,167,071	72,214,279	262,046,018	2,758,204,023
Employee costs	(324,433,511)	(360,147,919)	(57,590,765)	(52,758,524)	(49,502,924)	(844,433,643)
Direct costs	(468,446,989)	(311,464,140)	(87,154,237)	(25,859,872)	(112,138,314)	(1,005,063,552)
Total profit	604,819,423	220,464,673	(10,577,931)	(6,404,117)	100,404,780	908,706,828
Profit margin	43%	25%	(8%)	(9%)	38%	33%
Total assets	2,508,952,282	1,601,329,381	240,837,660	129,628,812	470,387,773	4,951,135,908
Total liabilities	1,145,530,999	731,130,862	109,961,041	59,185,590	214,768,444	2,260,576,936

**For the period ended
September 30, 2020
(Unaudited)**

	Product suits	Business process outsourcing	Digital custom solutions	Consultation	Nationalization & Upskilling	Total
Revenues	973,764,678	322,033,596	126,902,786	67,201,737	57,742,610	1,547,645,407
Employee costs	(268,986,992)	(213,536,086)	(90,339,260)	(50,727,777)	(16,589,283)	(640,179,398)
Direct costs	(243,443,306)	(95,632,117)	(68,437,171)	(16,124,358)	(21,863,734)	(445,500,686)
Total profit	461,334,380	12,865,393	(31,873,645)	349,602	19,289,593	461,965,323
Profit margin	47%	4%	(25%)	1%	33%	30%
Total assets	2,289,716,184	757,231,755	298,399,982	158,018,573	135,776,325	3,639,142,819
Total liabilities	967,928,435	320,103,493	126,142,196	66,798,964	57,396,531	1,538,369,619

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20. ZAKAT

The group submitted zakat returns and obtained an empowering letter from the Zakat, Tax and Customs Authority until the end of the fiscal year ending on December 31, 2020 and ending on April 30, 2022. The group did not receive any zakat assessments for previous years until December 31, 2020.

Zakat Provision

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Balance at the beginning of period / year	65,690,341	-
Provision formed for the period / year	63,885,324	65,690,341
Payments made during the period / year	(43,954,431)	-
Balance at the end of the period / year	85,621,234	65,690,341

21. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has outstanding bank guarantee letters amounting to SR 33.7 million as of September 30, 2021, (December 31, 2020: SR 66.7 million).

22. EARNING PER SHARE

	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Operating profit for the period	499,224,718	163,678,004
Net profit for the period	456,623,263	174,543,034
Number of Shares		
Weighted average number shares for the purposes of calculating basic and diluted earnings per share	80,000,000	80,000,000
Earnings per share attributable to the owner:		
From operating profit	6,24	2,05
From net profit	5,71	2,18

During the first quarter of 2021, the company issued an additional 45,000,000 shares transferred from the proposed increase in Capital, bringing the total number of the company's shares to 50,000,000 shares.

Later, during the third quarter of 2021, the company issued an additional 30,000,000 shares transferred from the proposed increase in capital, bringing the total number of the company shares to 80,000,000 shares (September 30, 2020: 5,000,000 shares).

The weighted average number of shares for the comparison period has been adjusted retrospectively due to the capital increases transferred from the proposed increase in capital (note 11).

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23. RISK MANAMGMENT

A. Commission rate risk

Commission rate risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The company's interest rate risk arises from bank deposits that are at floating interest rates. All deposits are regularly re-priced. Management monitors changes in interest rates and in its view that fair value risks and cash flows of interest rates are not substantial for the Group.

B. Liquidity risk

Liquidity risk represents the Group inability of meeting its obligations related to the financial liabilities once due, The Group reduces liquidity risk by ensuring that the necessary liquidity is continuously available.

C. Credit risk

Credit risk represents in the risk that the group will incur a financial loss in the event that the customer or counterparty fails to financially fulfill its contractual obligations, and arises principally from the group's dues from customers, and employees.

The carrying amounts of receivables and contract assets represent the maximum exposure to credit risk. The impairment losses for accounts receivable, contract assets and employee receivables recognized in profit or loss were as follows:

	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Accounts receivable (note 5)	58,040,766	-
Contract assets (note 6)	4,605,588	-
Reverse of employee receivable provisions	(13,474)	-
	62,632,880	-

D. Foreign currency fluctuation risk management

Currency risk represents the risk arising from the fluctuation of a financial instrument as a result of the change in foreign exchange rates, The Group did not make any significant transactions in foreign currencies other than the US dollar, the Great British pound, and the Euro during the period, The Group was not exposed to any significant risk of fluctuating exchange rates at the period end, The management does not expect that the Group will undergo any significant transactions in the future related to these risks.

24. FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The group's financial assets consist of bank balances, receivables and other financial assets, While the financial liabilities consist of accounts payable, the fair value of financial instruments is not materially different from their carrying value,

Fair value is the value at which an asset is exchanged, or a liability settled, between willing parties with fair terms of deal.

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25. INVESTMENT IN ASSOCIATE

Associate company name	Ownership Percentage	
	September 30, 2021	December 31, 2020
Sahl Almadar Company	30%	30%
Smart National Solution Company	24%	24%
Al Dal for real estate services Company (A)	30%	-

- (A) Future Resources Company, one of the group's subsidiaries, established Al-Dal Real Estate Services Company, a limited liability company registered with Commercial Registration No. 1010680496, on Jumada Al-Awwal 29, 1442 AH (corresponding to January 13, 2021), and its headquarters is in Riyadh. The company's main activity is in auctioneers and auction brokers for all commodities, Online wholesale, residential home sale auctions, non-store auctions, brokerage agents' activities, real estate management activities for a commission, providing marketing services on behalf of others. The Company has not yet commenced its business operations.

26. COMPARATIVE FIGURES

Reclassification

Certain figures for the comparative year have been reclassified to conform to the current period presentation of the interim condensed consolidated financial statements.

During the period ended September 30, 2021, the Group reclassified certain items of equity through reclassifying reserves resulting from re-measuring employee end of service and revaluating investments through other comprehensive income from retained earnings to other reserves to improve financial statement presentation. Below are details:

As at December 31, 2020	Balance as at December 31, 2020	Reclassification	Balance after reclassification
Other reserves	-	(35,371,085)	(35,371,085)
Retained earnings	1,708,935,709	35,371,085	1,744,306,794

In addition to the above, there was a reclassification of some items, including value-added tax and other financial assets.

The reclassification had no effect on the net assets value of the group.

27. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, and subsequently in March 2020 it was declared as a pandemic by the World Health Organization (WHO). The virus continued to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels,

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the group has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families, and fully activating the technical solutions to ensure the continuation of the services provided at the same level,

27. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK (CONTINUED)

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia began to allow the gradual return of all economic and commercial activities, taking into account the application of all approved preventive measures and adherence to social distancing.

During the fourth quarter of 2020, it was announced that vaccines had been discovered that had effectively exceeded the testing stage and had begun manufacturing and distributing globally to many countries, including the Kingdom of Saudi Arabia.

As of the date these interim condensed consolidated financial statements, the Group's business and operations have not been materially adversely affected by the consequences of the continuing outbreak of the virus.

The impact of the pandemic on the Group's business results and operations was assessed using some uncertain judgments, estimates and assumptions, which depend mainly on many factors and future developments that cannot be reliably predicted.

28. SUBSEQUENT EVENTS

There were no any subsequent events which requires disclosure in these interim condensed consolidated financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the audit committee delegated by the Board of Directors on Rabi' Al-Thani 23, 1443 AH (corresponding to November 28, 2021).