

**ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

**ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PRIOD ENDED MARCH 31, 2023**

<u>INDEX</u>	<u>PAGE</u>
Independent auditor's review report	1
Interim condensed consolidated statement of profit or loss and other comprehensive income	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 – 17

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

To the shareholders of
Elm Company
Saudi 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 31 March 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three month 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 statements in accordance with International Accounting Standards 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 not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 26 Shawwal 1444 (H)
corresponding to: 16 May 2023 (G)

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

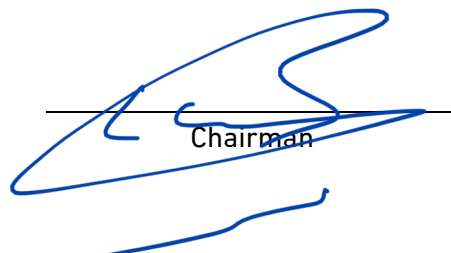
	Note	For the three months period ended March 31	
		2023 (Unaudited)	2022 (Unaudited)
Revenue	5	1,288,160,010	1,092,006,956
Cost of revenue		(754,971,243)	(652,466,283)
GROSS PROFIT		533,188,767	439,540,673
EXPENSES			
Selling and marketing		(64,047,824)	(52,448,651)
Expected credit losses		(17,227,084)	(13,756,040)
General and administrative		(97,386,456)	(76,807,357)
Depreciation and amortization		(34,211,233)	(26,722,317)
OPERATING PROFIT		320,316,170	269,806,308
Finance cost		(1,085,622)	(844,910)
Income from murabaha deposit	13,14	31,187,205	2,963,589
Share of result from investment associate		(2,218,741)	(636,479)
Gain at fair value of financial assets through profit or loss		740,791	1,568,708
Other income, net		7,341,004	2,644,373
NET PROFIT BEFORE ZAKAT		356,280,807	275,501,589
Zakat	19	(33,877,443)	(25,860,831)
NET PROFIT		322,403,364	249,640,758
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		322,403,364	249,640,758
EARNINGS PER SHARE FROM NET PROFIT:			
Basic	17	4.15	3.17
Diluted	17	4.03	3.12

13/03/23


Chief Financial Officer



Chief Executive Officer



Chairman

The accompanying notes from (1) to (26) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023
All amounts in Saudi Riyals

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
NON –CURRENT ASSETS			
Property and equipment	6	348,482,037	353,498,965
Capital work in progress		57,627,992	57,778,145
Right-of-use assets	7	91,597,444	80,386,822
Intangible assets	8	177,776,482	179,633,131
Investments in associates		179,017	2,397,758
Other financial assets	9	220,051,692	197,534,391
TOTAL NON –CURRENT ASSETS		895,714,664	871,229,212
CURRENT ASSETS			
Accounts receivable	10	1,650,326,523	1,465,078,203
Contract assets	11	881,553,902	804,461,993
Prepaid expenses and other current assets	12	292,370,881	212,713,357
Other financial assets	9	60,594,710	85,853,919
Murabaha deposits	13	1,633,557,625	1,998,369,994
Cash and cash equivalents	14	1,206,434,355	588,679,391
TOTAL CURRENT ASSETS		5,724,837,996	5,155,156,857
TOTAL ASSETS		6,620,552,660	6,026,386,069
EQUITY AND LIABILITIES			
EQUITY			
Share capital		800,000,000	800,000,000
Statutory reserve		174,708,101	174,708,101
Treasury shares	15	(294,758,400)	(307,200,000)
Other reserves		(36,276,477)	(24,180,887)
Retained earnings		2,500,995,885	2,403,679,701
TOTAL EQUITY		3,144,669,109	3,047,006,915
LIABILITIES			
NON - CURRENT LIABILITIES			
Liabilities for purchasing property		25,396,063	25,396,063
Lease liabilities		82,808,305	71,192,414
End of service benefits provision	16	323,399,102	307,462,112
TOTAL NON - CURRENT LIABILITIES		431,603,470	404,050,589
CURRENT LIABILITIES			
Accounts payable and other current liabilities	18	2,318,549,509	1,903,401,458
Contract liabilities		502,821,421	472,263,219
Zakat	19	172,308,576	138,434,452
liabilities of purchasing property		24,746,387	24,746,387
Lease liabilities		12,668,048	11,572,140
Due to related parties	20	13,186,140	24,910,909
TOTAL CURRENT LIABILITIES		3,044,280,081	2,575,328,565
TOTAL LIABILITIES		3,475,883,551	2,979,379,154
TOTAL EQUITY AND LIABILITIES		6,620,552,660	6,026,386,069

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes from (1) to (26) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023
All amounts in Saudi Riyals


	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2022 (Audited)		800,000,000	-	81,689,142	(26,539,451)	1,954,509,071	2,809,658,762
Net profit for the period		-	-	-	-	249,640,758	249,640,758
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	249,640,758	249,640,758
Purchase of treasury shares	15	-	(307,200,000)	-	-	-	(307,200,000)
Balance as at March 31, 2022 (Unaudited)		<u>800,000,000</u>	<u>(307,200,000)</u>	<u>81,689,142</u>	<u>(26,539,451)</u>	<u>2,204,149,829</u>	<u>2,752,099,520</u>
Balance as at January 1, 2023 (Audited)		800,000,000	(307,200,000)	174,708,101	(24,180,887)	2,403,679,701	3,047,006,915
Net profit for the period		-	-	-	-	322,403,364	322,403,364
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	322,403,364	322,403,364
Treasury shares settlement	15	-	12,441,600	-	(20,446,020)	8,004,420	-
Share-based payment		-	-	-	8,350,430	-	8,350,430
Dividend		-	-	-	-	(233,091,600)	(233,091,600)
Balance as at March 31, 2023 (Unaudited)		<u>800,000,000</u>	<u>(294,758,400)</u>	<u>174,708,101</u>	<u>(36,276,477)</u>	<u>2,500,995,885</u>	<u>3,144,669,109</u>



Chief Financial Officer



Chief Executive Officer



Chairman

The accompanying notes from (1) to (26) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023
All amounts in Saudi Riyals

	Notes	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat		356,280,807	275,501,589
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization		34,211,233	26,722,317
Expected credit losses		17,227,084	13,756,040
End of service benefits provision	16	17,495,096	14,449,876
Share-based payment		8,350,430	-
Finance cost		1,085,622	844,910
Income from murabaha deposit	13,14	(31,187,205)	(2,963,589)
Share of result from associate		2,218,741	636,479
Gain at fair value of financial assets through profit or loss		(740,791)	(1,568,708)
Other income, net		23,034	(70,246)
		<u>404,964,051</u>	<u>327,308,668</u>
<i>Working capital adjustments:</i>			
Accounts receivable	10	(198,252,438)	(96,675,974)
Contract assets	11	(81,340,228)	(259,066,496)
Prepaid expenses and other current assets	12	(60,500,087)	(16,362,808)
Accounts payable and other current liabilities		182,056,451	198,595,116
Contract liabilities		30,558,202	(5,407,806)
Due to related parties	20	(11,724,769)	6,042,795
Cash from operations		<u>265,761,182</u>	<u>154,433,495</u>
Zakat paid		(3,319)	-
Proceeds from income from murabaha deposits		11,567,750	3,821,427
End of service benefits paid	16	(1,558,106)	(5,635,967)
Net cash generated from operating activities		<u>275,767,507</u>	<u>152,618,955</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabaha deposits		364,812,369	(377,854,159)
Purchase of property and equipment and intangible assets		(11,688,932)	(4,522,945)
Proceeds from disposal of property and equipment		130,834	552,733
Proceeds from disposal of other financial assets		26,000,000	-
Investments in other financial assets		(22,517,301)	(34,000,000)
Payments for capital work in progress		(9,571,625)	(6,942,142)
Net cash generated from / (used in) investing activities		<u>347,165,345</u>	<u>(422,766,513)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(5,053,387)	(1,362,342)
Purchase of treasury shares	15	-	(307,200,000)
Finance cost paid		(124,501)	(7,657)
Net cash used in financing activities		<u>(5,177,888)</u>	<u>(308,569,999)</u>
Net Change in cash and cash equivalents		<u>617,754,964</u>	<u>(578,717,557)</u>
Cash and cash equivalents at the beginning of the period	14	<u>588,679,391</u>	<u>1,362,219,462</u>
Cash and cash equivalents at the end of the period		<u>1,206,434,355</u>	<u>783,501,905</u>


Chief Financial Officer


Chief Executive Officer


Chairman

The accompanying notes from (1) to (26) form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

1. INFORMATION ABOUT THE COMPANY

Elm Company formerly known, as (Al Elm Information Security Company) ("the Company") is a Saudi joint stock company, incorporated in the city of Riyadh, Kingdom of Saudi Arabia on Shawwal 24, 1408 (corresponding to June 8, 1988) and is registered with Commercial Registration No. 1010069210.

The company's activities are represented in providing information security services, working in the field of electronic business, consulting services, exchanging credit information, managing and operating data and information centers, importing, developing, selling and maintaining hardware, software, information systems and communication networks, providing sites for buying and selling via the Internet, and working in the field of training and workforce development.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Initial Financial Reporting", which is approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Auditors and Accountants. These interim condensed and consolidated financial statements do not include all the clarifications required in the complete annual consolidated financial statements in accordance with International Financial Reporting Standards. Therefore, these condensed and consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the group as on December 31, 2022.

Certain prior period's figures have been reclassified to conform to the current period's presentation (Note 25).

2.1 Use of assumptions, estimates, and important accounting judgments

The significant accounting assumptions, estimates and judgments used in preparing these interim condensed consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended December 31, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these interim condensed consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended December 31, 2022.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

A, New and amended standards and interpretations

There are no new and amended standards and interpretations applicable as of March 31, 2023.

B, New and amended IFRSs not yet effective

Standards issued but not yet effective are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Noting that the Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

5. REVENUE

The following is the group revenue analysis, as per business unit for the three months period ended March 31:

	2023 (Unaudited)	2022 (Unaudited)
Digital Business	968,903,108	657,145,268
Business Process Outsourcing	277,367,554	387,141,001
Professional Services	41,889,348	47,720,687
	<u>1,288,160,010</u>	<u>1,092,006,956</u>

Revenue sources for the three months period ended March 31:

	2023 (Unaudited)	2022 (Unaudited)
Revenue from government parties	437,257,805	549,194,263
Revenue from private parties	850,902,205	542,812,693
	<u>1,288,160,010</u>	<u>1,092,006,956</u>

Revenue recognition time for the three months period ended March 31:

	2023 (Unaudited)	2022 (Unaudited)
At a point in time	987,930,301	843,231,627
Over a period of time	300,229,709	248,775,329
	<u>1,288,160,010</u>	<u>1,092,006,956</u>

6. PROPERTY AND EQUIPMENT

During the three months period ended March 31, 2023, the Group acquired property and equipment amounting to 6.5 million Saudi riyals, including non-cash additions transfer from capital working progress amounting to Nil (for the three months period ended March 31, 2022: 11.4 million Saudi riyals of which Non-cash additions transfer from capital working progress amounting to 6.8 million Saudi riyals). During the three months period ended March 31, 2023, the Group disposed of property and equipment with a net book value of 154 thousands Saudi riyals (for the three months period ended March 31, 2022: 482 thousands Saudi riyals), which resulted in gains on the disposal of property and equipment for the three months period ending on March 31, 2023 amounting to 23 thousands Saudi riyals (Gains from assets disposal for the three months period ending March 31, 2022: 70 thousands Saudi riyals). The depreciation expense for the three months period ended March 31, 2023 amounted to 11.4 million Saudi riyals (for the three months period ended March 31, 2022: 9.2 million Saudi riyals).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

6. PROPERTY AND EQUIPMENT (CONTINUED)

The following is a classification of depreciation for the three months period ended March 31 if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	2023	2022
	(Unaudited)	(Unaudited)
Cost of revenue	7,823,761	5,740,814
General and administrative expenses	3,374,182	3,308,824
Selling and marketing expenses	208,520	185,712
	11,406,463	9,235,350

7. RIGHT -OF- USE ASSETS

During the three months period ended March 31, 2023, the Group acquired right of use assets amounting to 17,3 million Saudi riyals (for the three months period ended March 31, 2022: 1,8 million Saudi riyals). The depreciation expense for the three months period ended March 31, 2023 amounted to 6,1 million Saudi riyals (for the three months period ended March 31, 2022: 6,0 million Saudi riyals).

The following is a classification of depreciation for the three months period ended March 31 if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	2023	2022
	(Unaudited)	(Unaudited)
Cost of revenue	2,370,513	1,918,374
General and administrative expenses	3,710,298	4,100,067
	6,080,811	6,018,441

8. INTANGIBLE ASSETS

During the three months period ended on March 31, 2023, the Group acquired intangible assets amounted to SR 14,9 million, including non-cash additions transferred from capital work in progress amounted to SR 9,7 million (for the three months period ended 31 March 2022: non-cash additions transferred from capital work in progress amounted to SR 1,1 million). The amortization expense for the three months period ended on March 31, 2023 was SR 16,7 million (for the three months period ended on March 31, 2022: SR 11,5 million).

The following is a classification of amortization for the three months period ended March 31 if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	2023	2022
	(Unaudited)	(Unaudited)
Cost of revenue	15,927,131	11,236,300
General and administrative expenses	796,828	232,226
	16,723,959	11,468,526

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

9. OTHER FINANCIAL ASSETS

The group's other financial assets balances consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Financial assets at FVTPL</i>		
Money Market Funds (A)	60,594,710	85,853,919
Advance payment for future equity (B)	49,713,135	45,957,634
	110,307,845	131,811,553
<i>Financial assets at FVTOCI</i>		
Unquoted equity investments (C)	170,338,557	151,576,757
	280,646,402	283,388,310
Other financial assets are presented in the statement of financial position as follows:		
Current	60,594,710	85,853,919
Non-current	220,051,692	197,534,391
	280,646,402	283,388,310

- A) An investment in money market funds represents an investment in a public murabaha fund, aimed at achieving low risk returns for unit holders while preserving capital and providing liquidity (fair value level 2).
- B) The advance payment for future equity represents amounts that the Group has paid to obtain shares in the upcoming investment rounds of these companies. All advance payments are considered debt instruments in accordance with IFRS 9, and when it's fair valued, cash flow and multiple methods are used for measurement. using various methods such as cash flow models, multiples method, and Equity rounds (fair value level 3).
- C) Investments in unquoted equity represent venture capital investments for companies operating in the information technology sector in Saudi Arabia and abroad, and when it's fair valued, cash flow models and Equity rounds (Fair value level 3).

The movement in financial assets measured at fair value during the period/ year is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period/ year	283,388,310	611,925,993
Additions	22,517,301	127,022,303
Collected from financial assets	(26,000,000)	(446,352,768)
Gains/ (Losses) financial assets at FVTPL	740,791	(402,085)
Losses financial assets at FVTOCI	-	(8,805,133)
Balance at the end of the period /year	280,646,402	283,388,310

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

10. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	March 31, 2023 (Unaudited)	December 31,2022 (Audited)
Government receivables	1,114,765,064	928,308,495
Trade receivables	916,188,088	904,392,219
	2,030,953,152	1,832,700,714
Expected credit losses provision	(380,626,629)	(367,622,511)
	1,650,326,523	1,465,078,203

The Government receivables balance includes related parties balances amounting to SR 32,9million (2022:SR 29, 8 million) as in Note 20.

11. CONTRACT ASSETS

Contract assets consists of the following:

	March 31, 2023 (Unaudited)	December 31,2022 (Audited)
Government contract assets	865,133,912	807,711,945
Trade contract assets	135,872,761	111,954,500
	1,001,006,673	919,666,445
Expected credit losses provision	(119,452,771)	(115,204,452)
	881,553,902	804,461,993

The government contract assets include related parties balances amounting to SR47,6 million (2022: 48,0 million Saudi riyals) as in Note 20.

12. PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expense and other current assets consist of the following:

	March 31, 2023 (Unaudited)	December 31,2022 (Audited)
Prepaid expenses	126,976,699	81,951,129
Deferred costs	69,673,647	58,031,098
Letter of guarantee	40,771,138	26,102,849
Accrued Murabha deposit income	32,828,488	23,799,051
Employees receivable	20,341,862	21,052,388
Other	1,779,047	1,776,842
	292,370,881	212,713,357

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

13. MURABHA DEPOSITS

The balance of long-term murabaha deposits consists of long-term deposits with a term of more than three months. The average commission is 5,2% annually (2022: 1,9% annually), and the interim condensed consolidated statement of profit or loss has been charged with a total deposit income of SR 31,2 million during the three months period ended March 31, 2023(2022:SR 2.9 million). All murabaha deposits mature within one year.

14. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

	March 31, 2023 (Unaudited)	December 31,2022 (Audited)
Cash at banks	<u>550,923,999</u>	<u>63,190,550</u>
Short term murabaha deposits *	<u>655,510,356</u>	<u>525,488,841</u>
	<u>1,206,434,355</u>	<u>588,679,391</u>

* The balance of short-term murabaha deposits consists of short-term deposits of three months and less. The average commission is 5,4% annually. (2022:1,6 %)

** The company has a balance of 2,7 billion riyals (December 31,2022: 1,4 billion) recorded in its bank accounts, which has not been presented within the group's assets, as this amount relates to services in which the company links presented to technical systems for the purpose of transferring them between the parties benefiting from these services.

15. TREASURY SHARES

On February 16, 2022, the Group purchased 2,4 million shares of its shares from the main shareholder at a value of SR 128 per share, for a total cash consideration of SR 307,2 million. The group maintains these shares as treasury shares in order to support the long-term future incentive plans for the employees, knowing that the purchased shares will not have the right to vote in the general assemblies of the company's shareholders and are not entitled to any dividends during the company's holding period.

The following table shows the number of shares and changes during the period/year:

	March 31, 2023 (Unaudited)	December 31,2022 (Audited)
The number of outstanding treasury shares at the beginning of the period/year	<u>2,400,000</u>	-
The number of shares purchased during the period/year	-	2,400,000
The number of shares settled and reissued during the period/year	<u>(97,200)</u>	-
	<u>2,302,800</u>	<u>2,400,000</u>

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

16. END OF SERVICES BENEFITS PROVISION

Employee end of service benefits provision movement as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period / year	307,462,112	263,057,441
Current service cost	14,036,095	56,260,945
Current service financing cost	3,459,001	6,498,750
Benefits paid	(1,558,106)	(26,731,214)
Actuarial losses	-	8,376,190
Balance at the end of the period / year	<u>323,399,102</u>	<u>307,462,112</u>

17. EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by the number of shares outstanding at the end of the period. The calculation of basic and diluted earnings per share is based on the following information for the three-months period ended March 31:

	2023 (Unaudited)	2022 (Unaudited)
Net profit for the period	<u>322,403,364</u>	<u>249,640,758</u>
Number of shares		
Weighted average number of shares for calculation for basic earnings per share*	77,641,939	78,840,449
Weighted average number of shares for repurchased shares	<u>2,353,560</u>	<u>1,159,551</u>
Weighted average number of shares for calculation for diluted earnings per share	<u>80,000,000</u>	<u>80,000,000</u>
EARNINGS PER SHARE:		
Basic	<u>4.15</u>	<u>3.17</u>
Diluted	<u>4.03</u>	<u>3.12</u>

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

18. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are as follows:

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Income sharing accruals	1,065,415,287	812,510,288
Employee accruals	371,669,481	318,359,076
Contractual cost	365,075,283	364,288,497
Dividend Payable	235,078,102	1,986,500
Accounts payable	171,536,740	300,229,346
Incentives & marketing	42,577,366	38,345,939
VAT	32,361,475	35,396,601
Litigation provision (Note 23)	16,139,121	16,386,478
Retention payable	2,212,323	2,156,491
Others	16,484,331	13,742,242
	2,318,549,509	1,903,401,458

19. ZAKAT

The group submitted all its zakat returns until the end of the year 2022, with paying the zakat due based on those returns and received the zakat certificate for that year. The group has not received any zakat assessments until the date of preparing the consolidated financial statements.

The Group pays VAT on a monthly basis and VAT returns have been submitted for all previous fiscal years. The Group underwent a tax examination for the years 2018, 2019 and 2020, and the process of examining tax returns submitted for these years was closed and did not result in any tax differences.

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

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	138,434,452	103,465,145
Charge during the period/ year	33,877,443	92,887,147
Paid during the period/ year	(3,319)	(57,917,840)
Balance at the ending of the period / year	172,308,576	138,434,452

20. 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 by the management of The Group. Balances of related parties are shown net of net offset.

As at the date of preparing the interim condensed consolidated financial statements, balances with related parties were unguaranteed.

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the period, The Group conducted transactions with the following related parties:

<u>Related Party</u>	<u>Relationship</u>
Public Investment Fund	Main shareholder
Senior executive managers	Employees
Board of Directors	Members
Unifonic company	Affiliates
Smart national Solutions Company	Associates

The transactions with related parties are similar to commercial transactions with external parties. Below are the details of the significant transactions with related parties during the three months ended March 31:

	2023 <u>(Unaudited)</u>	2022 <u>(Unaudited)</u>
Transactions		
Transactions with the shareholder		
Service revenue	8,837,748	26,102,238
Purchase of Treasury Share	-	307,200,000
Unifonic company		
Services cost	10,827,119	10,735,008
Smart national Solution		
Services cost	729,139	1,467,515
Transaction with board of directors and senior executive managers		
Salaries and benefit	6,114,346	4,912,691
Remunerations and allowances	6,684,066	4,304,987
End of service indemnity	471,692	1,079,408
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balances		
<i><u>Due from Shareholder classified under:</u></i>		
Accounts receivable (Note 10)	32,980,753	29,826,566
Contract assets (Note 11)	47,623,778	47,992,552
Due to Related Parties-Current		
Unifonic Company	7,518,440	18,160,192
Smart National Solution Company	5,667,700	6,750,717
	13,186,140	24,910,909

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

21. SEGMENT INFORMATION

The company offers a wide range of ready-made digital solutions specialized in many fields through diverse and flexible business models that suit the desires of customers. The ready-made solutions include products that serve a wide range of customers, which they can subscribe to through various packages that suit each customer and his needs. While the projects include specialized solutions that the company provides to its clients according to their needs. The company's business includes the following:

- 1- **Digital Business:** They are ready-to-use solutions in the form of technical services, portals, electronic applications, and related support work, which were developed by the company in cooperation with a large number of facilities in the public and private sectors with the aim of creating integrated services that cover a large segment of society, by creating advanced services that contribute to solving An existing problem or filling an existing service gap, by converting traditional procedures into electronic transactions. In addition to integrated technology businesses, entitlement engines and digital platforms, The Group provides integrated technology business solutions to clients from the public and private sectors.
- 2- **Business Process Outsourcing:** The Group seeks through business attribution solutions to enhance its competitive advantage in the field of operation and service provision in the areas of competence; And that is through the management and the total operation of services, or partial support for them in specific areas, and their progression towards a digital vision.
- 3- **Professional Services:** These include advisory services and professional services in data analysis and artificial intelligence, through which The Group understands the problems of the facility and develops a comprehensive action plan to develop its overall performance and raise customer satisfaction levels.

The selected financial data for these sectors follows for the three months period March 31:

	2023 (Unaudited)	2022 (Unaudited)
Revenue		
Digital Business	968,903,108	657,145,268
Business Process Outsourcing	277,367,554	387,141,001
Professional Services	41,889,348	47,720,687
	<u>1,288,160,010</u>	<u>1,092,006,956</u>
Cost		
Direct cost	(754,971,243)	(652,466,283)
Operating expenses (except depreciation and amortization, ECL)	(161,434,280)	(129,256,008)
Expected credit loss (ECL)	(17,227,084)	(13,756,040)
Depreciation & Amortization	(34,211,233)	(26,722,317)
Other income, net	35,964,637	5,695,281
Zakat	(33,877,443)	(25,860,831)
	<u>(965,756,646)</u>	<u>(842,366,198)</u>
Net Profit	<u>322,403,364</u>	<u>249,640,758</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

21. SEGMENT INFORMATION (CONTINUED)

Below is a breakdown of gross profit by segments for the three months period March 31:

	2023 (Unaudited)	2022 (Unaudited)
Digital Business	447,685,479	309,401,637
Business Process Outsourcing	82,279,650	111,349,469
Professional Services	3,223,638	18,789,567
	533,188,767	439,540,673

The following is an analysis of the Group's assets and liabilities on the basis of segments as of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Assets</i>		
Digital Business	4,979,718,358	4,107,846,122
Business Process Outsourcing	1,425,542,233	1,702,655,584
Professional Services	215,292,069	215,884,363
	6,620,552,660	6,026,386,069
<i>Liabilities</i>		
Digital Business	2,614,422,393	2,030,874,054
Business Process Outsourcing	748,429,784	841,774,240
Professional Services	113,031,374	106,730,860
	3,475,883,551	2,979,379,154

22. BANK FACILITIES

The Group has facilities agreements with local banks to meet the working capital requirements and support The Group's business requirements in the form of cash withdrawals and letters of guarantee with a maximum of Nil as on March 31, 2023 (December 31, 2022: 150 million Saudi riyals). The Group has utilized some of those facilities agreements to issue bank guarantees for it's projects as disclosed in (Note 23).

23. CONTINGENT LIABILITIES

-The Group has outstanding bank letters of guarantee amounting to SAR 48,7 million as of March 31, 2023 (December 31, 2022: SR 97 million).

-In the ordinary course of business, the Group enters into legal cases as a plaintiff or defendant. As on March 31, 2023, the group recognizes provision against legal cases amounted to SR 16,1 million (December 31, 2022: SR 16,4 million) that represents the best estimate the management could perform, and it does not expect any liabilities than the recorded provisions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

All amounts in Saudi Riyals

24. DIVIDENDS

During Board of Directors meeting held on Ramadan 5, 1444 corresponding to March 27, 2023, they have been approved the distribution of interim cash dividends of SR233,1 million (at 3 riyals per share) for the first half of 2022. Subsequently during April, the dividends were paid.

25. COMPARATIVE FIGURES

Reclassification

Certain comparative figures have been reclassified to conform to the current period presentation of the Interim condensed consolidated financial statements. The reclassification had no impact on the net assets of the Group.

A) The Interim condensed consolidated statement of profit or loss

The Group reclassified some items of the Interim condensed consolidated statement of profit or loss and the details are as follows:

	<u>March 31, 2022</u>	<u>Reclassification</u>	<u>Balance after reclassification</u>
Cost of revenue	684,221,197	(31,754,914)	652,466,283
Selling and marketing	30,064,287	22,384,364	52,448,651
General and administrative	67,436,807	9,370,550	76,807,357
	<u>781,722,291</u>	<u>-</u>	<u>781,722,291</u>

26. APPROVAL OF THE FINANCIAL STATEMENTS

These Interim condensed consolidated financial statements were approved by the Board of Directors on Shawal 21, 1444 (corresponding to May 11, 2023).