

**ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023**

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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 30 June 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six months periods then ended, the interim condensed consolidated statement of changes in equity and cash flows for the six 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 information in accordance with International Accounting Standards 34 – “*Interim Financial Reporting*” (“IAS 34”) that is 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 of the entity*” that is 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 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 that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 21 Muharram 1445 H
corresponding to: 8 August 2023 G

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

All amounts in Saudi Riyals

	Note	For the three months period ended June 30		For the six months period ended June 30	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue	5	1,403,834,362	1,038,772,604	2,691,994,372	2,130,779,560
Cost of revenue		(801,841,671)	(625,915,687)	(1,545,543,611)	(1,278,381,970)
GROSS PROFIT		601,992,691	412,856,917	1,146,450,761	852,397,590
EXPENSES					
Selling and marketing		(59,444,949)	(49,292,823)	(126,697,239)	(101,741,474)
Expected credit losses		(20,967,861)	(7,769,035)	(38,194,945)	(21,525,075)
General and administrative		(112,136,596)	(89,123,130)	(217,587,889)	(165,930,487)
Depreciation and amortization		(32,225,327)	(27,813,780)	(66,436,560)	(54,536,097)
Impairment of intangible assets	8	-	(27,077,208)	-	(27,077,208)
OPERATING PROFIT		377,217,958	211,780,941	697,534,128	481,587,249
Finance cost		(1,031,039)	(851,933)	(2,116,661)	(1,696,843)
Income from murabaha deposit	13,14	26,380,573	4,067,848	57,582,440	7,031,437
Share of result from investment in associate		-	675,248	(2,218,741)	38,769
Gain at fair value of financial assets through profit or loss		392,077	1,995,986	1,132,868	3,564,694
Other income, net		3,513,321	3,061,490	10,839,663	5,705,864
PROFIT BEFORE ZAKAT		406,472,890	220,729,580	762,753,697	496,231,170
Zakat	19	(33,702,206)	(25,875,279)	(67,579,649)	(51,736,110)
NET PROFIT		372,770,684	194,854,301	695,174,048	444,495,060
OTHER COMPREHENSIVE INCOME					
TOTAL OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		372,770,684	194,854,301	695,174,048	444,495,060
EARNINGS PER SHARE FROM NET PROFIT:					
Basic	17	4.80	2.51	8.95	5.68
Diluted	17	4.66	2.44	8.69	5.56


Chief Financial Officer


Chief Executive Officer

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Chairman
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The accompanying notes from (1) to (27) 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 JUNE 30, 2023
All amounts in Saudi Riyals

	Note	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	6	340,562,892	353,498,965
Capital work in progress		75,556,834	57,778,145
Right-of-use assets	7	83,011,691	80,386,822
Intangible assets	8	168,311,065	179,633,131
Investments in associates		179,017	2,397,758
Other financial assets	9	231,301,693	197,534,391
TOTAL NON - CURRENT ASSETS		898,923,192	871,229,212
CURRENT ASSETS			
Accounts receivable	10	1,960,237,836	1,465,078,203
Contract assets	11	991,549,645	804,461,993
Prepaid expenses and other current assets	12	308,911,998	212,713,357
Other financial assets	9	22,986,787	85,853,919
Murabaha deposit	13	1,452,694,657	1,998,369,994
Cash and cash equivalents	14	1,062,096,602	588,679,391
TOTAL CURRENT ASSETS		5,798,477,525	5,155,156,857
TOTAL ASSETS		6,697,400,717	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 share	15	(294,758,400)	(307,200,000)
Other reserves		(31,151,163)	(24,180,887)
Retained earnings		2,873,766,569	2,403,679,701
TOTAL EQUITY		3,522,565,107	3,047,006,915
LIABILITIES			
NON - CURRENT LIABILITIES			
Liabilities for purchasing property		-	25,396,063
Lease liabilities		80,853,658	71,192,414
End of service benefits provision	16	334,272,978	307,462,112
TOTAL NON - CURRENT LIABILITIES		415,126,636	404,050,589
CURRENT LIABILITIES			
Accounts payable and other current liabilities	18	2,114,163,341	1,903,401,458
Contract liabilities		448,472,151	472,263,219
Zakat	19	134,109,069	138,434,452
liabilities of purchasing property		25,396,063	24,746,387
Lease liabilities		10,960,680	11,572,140
Due to related parties	20	26,607,670	24,910,909
TOTAL CURRENT LIABILITIES		2,759,708,974	2,575,328,565
TOTAL LIABILITIES		3,174,835,610	2,979,379,154
TOTAL EQUITY AND LIABILITIES		6,697,400,717	6,026,386,069



Chief Financial Officer



Chief Executive Officer

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Chairman

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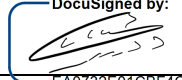
ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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		-	-	-	-	444,495,060	444,495,060
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	444,495,060	444,495,060
Purchase of treasury shares	15	-	(307,200,000)	-	-	-	(307,200,000)
Dividends		-	-	-	-	(232,800,000)	(232,800,000)
Share-based payment		-	-	-	6,477,894	-	6,477,894
Balance as at June 30, 2022 (Unaudited)		<u>800,000,000</u>	<u>(307,200,000)</u>	<u>81,689,142</u>	<u>(20,061,557)</u>	<u>2,166,204,131</u>	<u>2,720,631,716</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		-	-	-	-	695,174,048	695,174,048
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	695,174,048	695,174,048
Treasury shares Settlement	15	-	12,441,600	-	(20,446,020)	8,004,420	-
Share-based payment		-	-	-	13,475,744	-	13,475,744
Dividends	24	-	-	-	-	(233,091,600)	(233,091,600)
Balance as at June 30, 2023 (Unaudited)		<u>800,000,000</u>	<u>(294,758,400)</u>	<u>174,708,101</u>	<u>(31,151,163)</u>	<u>2,873,766,569</u>	<u>3,522,565,107</u>


Chief Financial Officer


Chief Executive Officer

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Chairman

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ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

All amounts in Saudi Riyals

	Notes	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		762,753,697	496,231,170
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization		66,436,560	54,536,097
Impairment of intangible assets	8	-	27,077,208
Expected credit losses		38,194,945	21,525,075
End of service benefits provision	16	34,954,888	27,368,258
Share based payment		13,475,744	6,477,894
Finance cost		2,116,661	1,696,843
Income from murabaha deposit	13,14	(57,582,440)	(7,031,437)
Share of result from investment in associate		2,218,741	(38,769)
Gain at fair value of financial assets through profit or loss	9	(1,132,868)	(3,564,694)
Other income, net		(23,034)	(70,247)
		<u>861,412,894</u>	<u>624,207,398</u>
<i>Working capital adjustments:</i>			
Accounts receivable	10	(524,733,479)	(578,854,548)
Contract assets	11	(195,734,103)	38,827,192
Prepaid expenses and other current assets	12	(71,820,448)	6,215,367
Accounts payable and other current liabilities	18	210,761,883	118,917,671
Contract liabilities		(23,791,068)	8,671,160
Due to related parties	20	1,696,761	(4,519,770)
Cash from operations		<u>257,792,440</u>	<u>213,464,470</u>
Zakat paid	19	(71,905,032)	(57,917,840)
Proceeds from income murabaha deposit		32,307,620	6,661,052
End of service benefits paid	16	(8,144,022)	(11,201,062)
Net cash from operating activities		<u>210,051,006</u>	<u>151,006,620</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabaha deposit		545,675,337	(277,854,159)
Purchase of property and equipment and intangible assets		(15,518,200)	(19,298,790)
Proceeds from disposal of property and equipment		280,886	552,730
Proceeds from other financial assets	9	64,000,000	222,500,000
Investments in other financial assets	9	(33,767,302)	(34,000,000)
Payments for capital works in progress		(34,242,441)	(14,135,891)
Net cash from / (used in) investing activities		<u>526,428,280</u>	<u>(122,236,110)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		(5,097,875)	(9,203,082)
Purchase of treasury shares	15	-	(307,200,000)
Payment of principal portion of purchasing property		(23,429,979)	-
Finance cost paid		(1,442,621)	(420,167)
Dividends paid		(233,091,600)	(232,800,000)
Net cash used in financing activities		<u>(263,062,075)</u>	<u>(549,623,249)</u>
Net Change in cash and cash equivalents		<u>473,417,211</u>	<u>(520,852,739)</u>
Cash and cash equivalents at the beginning of the period	14	588,679,391	1,362,219,462
Cash and cash equivalents at the end of the period		<u>1,062,096,602</u>	<u>841,366,723</u>


Chief Financial Officer


Chief Executive Officer

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The accompanying notes from (1) to (27) form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 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

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed and consolidated financial statements do not include all the information and disclosures required in the complete annual consolidated financial statements in accordance with International Financial Reporting Standards. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the group at 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 June 30, 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.

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 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 June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Digital business	1,016,339,586	710,150,390	1,985,242,694	1,367,295,658
Business process outsourcing	352,376,223	287,243,158	629,743,777	674,384,159
Professional services	35,118,553	41,379,056	77,007,901	89,099,743
	1,403,834,362	1,038,772,604	2,691,994,372	2,130,779,560

Revenue sources:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue from government agencies	530,660,233	465,204,992	967,918,038	1,014,399,255
Revenue from private parties	873,174,129	573,567,612	1,724,076,334	1,116,380,305
	1,403,834,362	1,038,772,604	2,691,994,372	2,130,779,560

Revenue recognition time:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
At a point in time	1,055,472,987	740,408,632	2,043,403,288	1,583,640,260
Over a period of time	348,361,375	298,363,972	648,591,084	547,139,300
	1,403,834,362	1,038,772,604	2,691,994,372	2,130,779,560

6. PROPERTY AND EQUIPMENT

During the six months period ended June 30, 2023, the Group acquired property and equipment amounted to SR 9.7 million, including non-cash additions transferred from capital working progress amounted to Nil (for the six months period ended June 30, 2022: SR 20.9 million including non-cash additions transferred from capital working in progress amounted to SR 6.9 million). During the six months period ended June 30, 2023, the Group disposed of property and equipment with a net book value of SR 258 thousand (for the six months period ended June 30, 2022: SR 482 thousand), which resulted in gains on the disposal of property and equipment for the six months period ended on June 30, 2023 amounted to SR 23 thousand (gains from assets disposal for the six months period ended June 30, 2022 : SR 70 thousand).The depreciation expense for the six months period ended June 30, 2023 amounted to SR 22.4 million (for the six months period ended June 30, 2022: SR 18.9 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

All amounts in Saudi Riyals

6. PROPERTY AND EQUIPMENT (CONTINUED)

The following is a classification of depreciation if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Cost of revenue	7,278,315	5,286,930	15,102,074	11,027,746
General and administrative expenses	3,549,595	4,269,562	6,923,777	7,578,386
Selling and marketing expenses	137,715	130,770	346,235	316,482
	10,965,625	9,687,262	22,372,086	18,922,614

7. RIGHT -OF- USE ASSETS

During the six months period ended June 30, 2023, There was additions to right of use assets amounting to 17.3 million Saudi riyals (for the six months period ended June 30, 2022: 1.8 million Saudi riyals). There was disposals with a net book value of SR 4.2 million (for the six months period ended June 30, 2022: SR 0.7 million). The depreciation expense for the six months period ended June 30, 2023 amounted to 10.5 million Saudi riyals (for the six months period ended June 30, 2022: 12,4 million Saudi riyals).

The following is a classification of depreciation if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Cost of revenue	1,427,461	1,063,373	3,797,975	2,981,747
General and administrative expenses	2,946,048	5,325,789	6,656,346	9,425,856
	4,373,509	6,389,162	10,454,321	12,407,603

8. INTANGIBLE ASSETS

During the six month period ended on June 30, 2023, the Group acquired intangible assets amounted to SR 22.3 million, including non-cash additions transferred from capital work in progress amounted to SR 16.5 million (for the six-month period ended 30 June 2022: SR 16.1 million, including non-cash additions transferred from capital work in progress amounted to SR 10.9 million). During the six-month period ended on June 30, 2023, the Group has not recorded an impairment with a net book value (for the six-month period ended June 30, 2022: SR 27.1 million) The amortization expense for the six-month period ended on June 30, 2023 was SR 33.6 million (for the six-month period ended on June 30, 2022: SR 23.2 million).

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

All amounts in Saudi Riyals

8. INTANGIBLE ASSETS (CONTINUED)

Impairment

As on June 30, 2022, the Group recorded an impairment against one of its internally developed technology platforms, amounted to 27.1 million due to the presence of indicators of impairment, as the management conducted a study to assess the recoverable amount through forecasting the expected future cash flows of the asset and which resulted in recoverable amount being less than the current value of the asset.

The following is a classification of amortization if presented by function in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Cost of revenue	14,703,241	9,514,532	30,630,373	20,750,830
General and administrative	2,182,952	2,222,824	2,979,780	2,455,050
	16,886,193	11,737,355	33,610,153	23,205,880

9. OTHER FINANCIAL ASSETS

The group's other financial assets balances consist of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Financial assets at FVTPL</i>		
Money Market Funds (A)	22,986,787	85,853,919
Advance payment for future equity (B)	49,713,136	45,957,634
	72,699,923	131,811,553
<i>Financial assets at FVTOCI</i>		
Unquoted equity investments (C)	181,588,557	151,576,757
	254,288,480	283,388,310

Other financial assets are presented in the statement of financial position as follows:

Current	22,986,787	85,853,919
Non-current	231,301,693	197,534,391
	254,288,480	283,388,310

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

All amounts in Saudi Riyals

9. OTHER FINANCIAL ASSETS (CONTINUED)

- 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.
- 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:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period / year	283,388,310	611,925,993
Additions	33,767,302	127,022,303
Proceeds	(64,000,000)	(446,352,768)
Gain / (losses) on financial assets at FVTPL	1,132,868	(402,085)
losses on financial assets at FVTOCI	-	(8,805,133)
Balance at the end of the period / year	254,288,480	283,388,310

10. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government receivables	1,473,861,166	928,308,495
Private receivables	883,573,027	904,392,219
	2,357,434,193	1,832,700,714
Expected credit losses provision	(397,196,357)	(367,622,511)
	1,960,237,836	1,465,078,203

The Government receivables balance includes related parties balances amounting to SR 32.9 million (2022:SR 29,8 million) as in Note 20.

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11. CONTRACT ASSETS

Contract assets represent revenues generated from services performed by the group that have not been invoiced to customers up to the date of the interim condensed consolidated financial statements, and that revenue will be invoiced subsequent to the period end / year end.

Contract assets consists of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government contract assets	867,772,873	807,711,945
Private contract assets	247,627,675	111,954,500
	1,115,400,548	919,666,445
Expected credit losses provision	(123,850,903)	(115,204,452)
	991,549,645	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. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consists of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Prepaid expenses	126,575,144	81,951,129
Deferred costs	63,926,393	58,031,098
Letter of guarantee	61,911,903	26,102,849
Accrued murabaha deposit income	34,829,871	23,799,051
Employees receivable	20,267,311	21,052,388
Other	1,401,376	1,776,842
	308,911,998	212,713,357

13. MURABAHA 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 5.65% annually (2022: 2.7% annually), and the interim condensed consolidated statement of profit or loss has been charged with a total deposit income of SR 26.4 million during the three months period ended June 30, 2023 (2022:SR 4.1 million) and for the six months period ended June 30, 2023 SR 57.6 million (2022:SR 7.0 million). All murabaha deposits mature within one year.

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14. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash at banks	<u>469,540,212</u>	<u>63,190,550</u>
Short term murabaha deposits (14-A)	<u>592,556,390</u>	<u>525,488,841</u>
	<u>1,062,096,602</u>	<u>588,679,391</u>

14-A The balance of short-term murabaha deposits consists of short-term deposits of three months and less. The average commission is 5.80% annually (2022: 2.4%).

The company has a balance of SR 8,5 billion (December 31, 2022: SR 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 bank account 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:

	June 30, 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>

16. END OF SERVICES BENEFITS PROVISION

Employee end of service benefits provision movement as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period / year	<u>307,462,112</u>	263,057,441
Current service cost during the period/year	<u>28,036,885</u>	56,260,945
Current service financing cost during the period/year	<u>6,918,003</u>	6,498,750
Benefits paid during the period/year	<u>(8,144,022)</u>	(26,731,214)
Actuarial losses during the period/year	-	8,376,190
Balance at the end of the period / year	<u>334,272,978</u>	<u>307,462,112</u>

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17. EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the profit 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 June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Net Profit	372,770,684	194,854,301	695,174,048	444,495,060
Number of share				
Weighted average number of shares for calculation for basic earnings per share	77,697,200	77,600,000	77,671,960	78,213,333
Weighted average number of shares for repurchased shares	2,302,800	2,400,000	2,328,040	1,786,667
Weighted average number of shares for calculation for diluted earnings per share	80,000,000	80,000,000	80,000,000	80,000,000
EARNINGS PER SHARE:				
Basic	4.80	2.51	8.95	5.68
Diluted	4.66	2.44	8.69	5.56

18. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Income sharing accruals	1,218,180,180	812,510,288
Contractual cost	415,651,874	364,288,497
Employee accruals	234,316,049	318,359,076
Accounts payable	169,467,674	300,229,346
Incentives & marketing	38,198,715	38,345,939
Value added tax	19,190,353	35,396,601
Retention payable	2,319,960	2,156,491
Dividend payable	2,014,762	1,986,500
Litigation provision (Note 23)	1,695,729	16,386,478
Other	13,128,045	13,742,242
	2,114,163,341	1,903,401,458

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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:

	June 30, 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	67,579,649	92,887,147
Paid during the period / year	(71,905,032)	(57,917,840)
Balance at the end of the period / year	134,109,069	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 on net basis.

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

During the year, 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	Affiliates

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20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The transactions with related parties are similar to commercial transactions with external parties. Below are the details of the significant transactions with related parties:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Transactions				
Transactions with the main shareholder				
Service revenue	5,770,312	23,477,856	14,608,060	49,580,094
Purchase of Treasury Share	-	-	-	307,200,000
Unifonic company				
Services cost	11,343,045	6,770,850	22,170,164	17,505,858
Smart national Solution				
Services cost	903,062	4,967,162	1,632,201	6,434,677
Transaction with board of directors and senior executive managers				
Salaries and benefit	6,793,688	5,290,973	12,908,034	10,203,664
Remunerations and allowances	9,528,153	4,084,846	16,212,219	8,389,833
End of service indemnity	2,474,932	1,760,687	2,946,624	2,840,095

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances		
Due from related parties		
<i>Due from Shareholder classified under:</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		
Unifonic Company	25,285,647	18,160,192
Smart National Solution Company	1,322,023	6,750,717
	<u>26,607,670</u>	<u>24,910,909</u>

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21. SEGMENT INFORMATION

The information regarding the Group's operating segments is described below in accordance with IFRS 8, where the standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's operating decision maker.

The company is one of the leading companies providing integrated digital solutions, especially in the field of transition to e-government. 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: These 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.

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21. SEGMENT INFORMATION (CONTINUED)

The selected financial data for these sectors follows:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue				
Digital Business	1,016,339,586	710,150,390	1,985,242,694	1,367,295,658
Business Process Outsourcing	352,376,223	287,243,158	629,743,777	674,384,159
Professional Services	35,118,553	41,379,056	77,007,901	89,099,743
	<u>1,403,834,362</u>	<u>1,038,772,604</u>	<u>2,691,994,372</u>	<u>2,130,779,560</u>
Cost				
Direct cost	(801,841,671)	(625,915,687)	(1,545,543,611)	(1,278,381,970)
Operating expenses (except depreciation and amortization, ECL, Impairment)	(171,581,545)	(138,415,953)	(344,285,128)	(267,671,961)
Expected credit loss (ECL)	(20,967,861)	(7,769,035)	(38,194,945)	(21,525,075)
Depreciation & amortization	(32,225,327)	(27,813,780)	(66,436,560)	(54,536,097)
Impairment of intangible assets	-	(27,077,208)	-	(27,077,208)
Other income, net	29,254,932	8,948,639	65,219,569	14,643,921
Zakat	(33,702,206)	(25,875,279)	(67,579,649)	(51,736,110)
	<u>(1,031,063,678)</u>	<u>(843,918,303)</u>	<u>(1,996,820,324)</u>	<u>(1,686,284,500)</u>
Net profit	<u>372,770,684</u>	<u>194,854,301</u>	<u>695,174,048</u>	<u>444,495,060</u>

Below is a breakdown of gross profit by segments:

	For the three months period ended June 30		For the six months period ended June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Digital Business	481,452,989	320,805,745	937,614,793	630,207,382
Business Process Outsourcing	117,969,766	82,934,176	202,675,931	194,283,645
Professional Services	2,569,936	9,116,996	6,160,037	27,906,563
	<u>601,992,691</u>	<u>412,856,917</u>	<u>1,146,450,761</u>	<u>852,397,590</u>

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21. SEGMENT INFORMATION (CONTINUED)

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Assets</i>		
Digital Business	4,939,076,390	4,107,846,122
Business Process Outsourcing	1,566,736,716	1,702,655,584
Professional Services	191,587,611	215,884,363
	6,697,400,717	6,026,386,069
<i>Liabilities</i>		
Digital Business	2,341,319,605	2,030,874,054
Business Process Outsourcing	742,695,820	841,774,240
Professional Services	90,820,185	106,730,860
	3,174,835,610	2,979,379,154

22. BANK FACILITIES

The Group does not have 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 as of June 30, 2023 (December 31, 2022 : SR 150 million). 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 amounted to SAR 61.9 million as of June 30, 2023 (December 31, 2022: SR 97 million).
- In the normal course of business, the Group is a party to legal cases either as a plaintiff or defendant. As on June 30, 2023, the Group recorded a provision against legal cases in the amount of SR 1.6 million (December 31, 2022: SAR 16,4 million), which is the best estimate of management over the provisions of these cases and management does not expect that there will be any additional liability over the amount recorded as a provision for these cases. (Note 18).

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24. DIVIDENDS

The Board of Directors, in its meeting held on Ramadan 5, 1444 (corresponding to March 27, 2023), approved cash dividends of SR 233,1 million (at 3 riyals per share) for the second half of 2022. 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.

Interim condensed consolidated statement of profit or loss and other comprehensive income:

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

	June 30, 2022	Reclassification	Balance after reclassification
Cost of revenue	1,340,818,643	(62,436,673)	1,278,381,970
Selling and marketing	59,575,738	42,165,736	101,741,474
General and administrative	145,659,550	20,270,937	165,930,487
	<u>1,546,053,931</u>	<u>-</u>	<u>1,546,053,931</u>

26. SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on Muharram 18, 1445 (corresponding to August 5, 2023), approved cash dividends of SR 233,1 million (at 3 riyals per share) for the first half of 2023. The date of the dividend distribution is Safar 8,1445 (corresponding to 24 August 2023).

27. APPROVAL OF THE FINANCIAL STATEMENTS

These Interim condensed consolidated financial statements were approved by the Board of Directors on Muharram 18, 1445 (corresponding to August 5, 2023).