

**ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022**

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

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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 September 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine months periods then ended, 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 information 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) 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: 13 Rabi ‘II 1444 (H)
Corresponding to: 7 November 2022 (G)

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

	Note	For the three months period ended September 30		For the nine months period ended September 30	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue	5	1,167,414,601	966,780,802	3,298,194,161	2,758,204,023
Cost of revenue		(716,807,005)	(639,464,402)	(2,057,625,648)	(1,849,497,195)
GROSS PROFIT		450,607,596	327,316,400	1,240,568,513	908,706,828
EXPENSES					
Selling and marketing		(35,048,510)	(26,206,046)	(94,624,248)	(68,930,997)
Expected credit losses		(26,996,813)	(5,355,847)	(48,521,888)	(62,632,880)
General and administrative		(85,006,341)	(68,980,746)	(230,665,891)	(194,217,884)
Depreciation and amortization		(30,680,091)	(30,466,840)	(85,216,188)	(83,700,349)
OPERATING PROFIT		272,875,841	196,306,921	781,540,298	499,224,718
Impairment of intangible assets	7	(1,045,646)	-	(28,122,854)	-
Finance cost		(964,063)	(947,759)	(2,660,906)	(3,866,741)
Income from murabaha deposit	12	9,975,983	2,172,737	17,007,420	6,844,033
Share of result from investment in associate		(1,197,297)	541,161	(1,158,528)	559,795
Gain at fair value of financial assets through profit or loss		1,779,505	326,498	5,344,199	20,859,057
Other income / (expenses), net		13,360,552	37,642	19,066,416	(3,112,275)
PROFIT BEFORE ZAKAT		294,784,875	198,437,200	791,016,045	520,508,587
Zakat	18	(21,424,407)	(20,833,233)	(73,160,517)	(63,885,324)
NET PROFIT FOR THE PERIOD		273,360,468	177,603,967	717,855,528	456,623,263
OTHER COMPREHENSIVE INCOME					
TOTAL OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		273,360,468	177,603,967	717,855,528	456,623,263
EARNINGS PER SHARE FROM NET PROFIT:					
Basic	16	3.52	2.22	9.20	5.71
Diluted	16	3.42	2.22	8.97	5.71

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 SEPTEMBER 30, 2022
All amounts in Saudi Riyals

		September 30, 2022	December 31, 2021
	Note	(Unaudited)	(Audited)
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	6	350,432,239	346,560,482
Capital work in progress		45,023,394	58,031,644
Right-of-use assets		97,999,746	108,084,151
Intangible assets	7	144,070,294	165,266,727
Investments in associates		2,338,695	3,497,224
Other financial assets	8	128,810,541	120,380,541
TOTAL NON - CURRENT ASSETS		768,674,909	801,820,769
CURRENT ASSETS			
Accounts receivable	9	1,966,061,978	1,654,806,023
Contract assets	10	824,061,824	660,298,461
Prepaid expenses and other current assets	11	153,063,539	123,320,561
Other financial assets	8	216,889,651	491,545,452
Murabaha deposits	12	1,163,293,851	100,280,000
Cash and cash equivalents	13	593,456,476	1,362,219,462
TOTAL CURRENT ASSETS		4,916,827,319	4,392,469,959
TOTAL ASSETS		5,685,502,228	5,194,290,728
EQUITY AND LIABILITIES			
EQUITY			
Share capital		800,000,000	800,000,000
Statutory reserve		81,689,142	81,689,142
Treasury share	14	(307,200,000)	-
Other reserves		(14,360,146)	(26,539,451)
Retained earnings		2,284,364,599	1,954,509,071
TOTAL EQUITY		2,844,493,595	2,809,658,762
LIABILITIES			
NON - CURRENT LIABILITIES			
Liabilities for purchasing property		25,396,063	50,142,450
Lease liabilities		82,699,049	87,396,354
End of service benefits provision	15	287,343,774	263,057,441
TOTAL NON - CURRENT LIABILITIES		395,438,886	400,596,245
CURRENT LIABILITIES			
Accounts payable		193,878,476	249,301,715
Accrued expenses and other current liabilities	17	1,837,741,725	1,337,201,852
Contract liabilities		246,370,750	235,711,818
Zakat	18	118,707,822	103,465,145
liabilities of purchasing property		24,746,387	24,113,331
Lease liabilities		14,783,121	19,432,853
Due to related parties	19	9,341,466	14,809,007
TOTAL CURRENT LIABILITIES		2,445,569,747	1,984,035,721
TOTAL LIABILITIES		2,841,008,633	2,384,631,966
TOTAL EQUITY AND LIABILITIES		5,685,502,228	5,194,290,728

Chief Financial Officer

Chief Executive Officer

Chairman

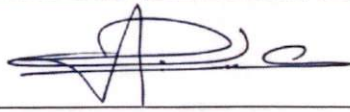
The accompanying notes from (1) to (26) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022
All amounts in Saudi Riyals

	Note	Share capital	Proposed Increase in capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total equity
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 income		-	-	-	-	-	456,623,263	456,623,263
Transferred to proposed increase in capital		-	300,000,000	-	-	-	(300,000,000)	-
Transferred to share capital		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
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		-	-	-	-	-	717,855,528	717,855,528
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	717,855,528	717,855,528
Purchase of treasury shares	14	-	-	(307,200,000)	-	-	-	(307,200,000)
Dividends	23	-	-	-	-	-	(388,000,000)	(388,000,000)
Share-based payment	14	-	-	-	-	12,179,305	-	12,179,305
Balance as at September 30, 2022 (Unaudited)		800,000,000	-	(307,200,000)	81,689,142	(14,360,146)	2,284,364,599	2,844,493,595


Chief Financial Officer


Chief Executive Officer


Chairman


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ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022
All amounts in Saudi Riyals

	Note	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		791,016,045	520,508,587
Profit before zakat			
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization		85,216,188	83,700,349
Impairment of intangible assets	7	28,122,854	-
Expected credit losses		48,521,888	62,632,880
End of service benefits provision	15	40,875,398	35,820,069
Share based payment	14	12,179,305	-
Finance cost		2,660,906	3,866,741
Income from murabaha deposit	12	(17,007,420)	(6,844,033)
Share of result from associate		1,158,528	(559,795)
Gain at fair value of financial assets through profit or loss	8	(5,344,199)	(20,859,057)
Other income / (expenses), net		(11,416,402)	(663,363)
		<u>975,983,091</u>	<u>677,602,378</u>
<i>Working capital adjustments:</i>			
Accounts receivable	9	(359,852,869)	(594,039,845)
Contract assets	10	(163,760,420)	(602,284,676)
Prepaid expenses and other current assets	11	(23,163,249)	(41,268,130)
Accounts payable		(53,473,775)	166,472,907
Accrued expenses and other current liabilities	17	353,374,874	300,179,602
Contract liabilities		10,658,932	13,822,347
Due to related parties	19	(5,467,541)	9,214,116
Cash from / (used in) operations		<u>734,299,043</u>	<u>(70,301,301)</u>
Zakat paid	18	(57,917,840)	(43,954,431)
Proceeds from income from murabaha deposits		12,061,374	3,943,840
End of service benefits paid	15	(16,589,065)	(17,456,679)
Net cash from / (used in) operating activities		<u>671,853,512</u>	<u>(127,768,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabaha deposits	12	(1,063,013,851)	90,329,583
Purchase of property and equipment and intangible assets		(45,019,612)	(20,512,789)
Proceeds from disposal of property and equipment		584,185	71,127
Proceeds from other financial assets	8	314,000,000	-
Investment in associates		-	(150,000)
Investments in other financial assets	8	(42,430,000)	(384,141,167)
Payments for capital works in progress		(18,851,405)	(43,385,723)
Net cash used in investing activities		<u>(854,730,683)</u>	<u>(357,788,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		(19,100,228)	(28,151,006)
Purchase of treasury shares	14	(307,200,000)	-
Payment of principal portion of purchasing property		(24,113,331)	(23,496,471)
Finance cost paid		(2,672,256)	(4,195,884)
Dividends paid	23	(232,800,000)	-
Payments to related parties	19	-	(14,599,346)
Net cash used in financing activities		<u>(585,885,815)</u>	<u>(70,442,707)</u>
Net Change in cash and cash equivalents		<u>(768,762,986)</u>	<u>(556,000,247)</u>
Cash and cash equivalents at the beginning of the period		1,362,219,462	1,013,318,368
Cash and cash equivalents at the end of the period	13	<u>593,456,476</u>	<u>457,318,121</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 AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

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, 2021.

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, 2021.

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, 2021. Except for:

3.1 Treasury shares

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Share based payment

Company employees receive remuneration in the form of shares under the long-term employee incentive program, under which employees provide services in consideration for company shares (repayable transactions in the form of equity instruments). The cost is determined through the fair value of the financial instrument at the grant date. The grant date is the date on which both the company and the employee agree to a share-based payment agreement, so that there is a common understanding of the terms and conditions of the agreement between the parties.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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 September 30, 2022.

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, 2021. 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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

5. REVENUE

The following is the group revenue analysis, as per business unit:

	For the three months period ended September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Digital business	794,767,584	475,685,658	2,162,063,242	1,531,866,994
Business process outsourcing	342,120,532	467,594,117	1,016,504,691	1,154,122,750
Professional services	30,526,485	23,501,027	119,626,228	72,214,279
	1,167,414,601	966,780,802	3,298,194,161	2,758,204,023

Revenue sources:

	For the three months period ended September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue from government agencies	471,445,247	570,687,448	1,485,844,502	1,625,550,104
Revenue from private parties	695,969,354	396,093,354	1,812,349,659	1,132,653,919
	1,167,414,601	966,780,802	3,298,194,161	2,758,204,023

Revenue recognition time:

	For the three months period ended September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
At a point in time	880,361,505	780,479,998	2,464,001,765	2,065,705,661
Over a period of time	287,053,096	186,300,804	834,192,396	692,498,362
	1,167,414,601	966,780,802	3,298,194,161	2,758,204,023

6. PROPERTY AND EQUIPMENT

During the nine months period ended September 30, 2022, the Group acquired property and equipment amounted to SR 33,7 million, including non-cash additions transferred from capital working progress amounted to SR 6,9 million (for the nine months period ended September 30, 2021: SR 27,8 million including non-cash additions transferred from capital working in progress amounted to SR 16,6 million). During the nine months period ended September 30, 2022, the Group disposed of property and equipment with a net book value of SR ,5 million (for the nine months period ended September 30, 2021: SR 7,1 million), which resulted in gains on the disposal of property and equipment for the nine months period ended on September 30, 2022 amounted to SR 0,1 million (gains from assets disposal for the nine months period ended September 30, 2021 : SR 0,6 million).The depreciation expense for the nine months period ended September 30, 2022 amounted to SR 29,4 million (for the nine months period ended September 30, 2021: SR 39,2 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

7. INTANGIBLE ASSETS

During the nine month period ended on September 30, 2022, the Group acquired intangible assets amounted to SR 43,2 million, including non-cash additions transferred from capital work in progress amounted to SR 24,9 million (for the nine-month period ended 30 September 2021: SR 73,1 million, including non-cash additions transferred from capital work in progress amounted to SR 63,8 million). During the nine-month period ended on September 30, 2022, the Group recorded an impairment with a net book value of SR 28,1 million (for the nine-month period ended September 30, 2021: nil.) The amortization expense for the nine-month period ended on September 30, 2022 was SR 36,2 million (for the nine-month period ended on September 30, 2021: SR 20,3 million).

Impairment

As on September 30, 2022, the Group recorded an impairment against two of its internally developed technology platforms, amounted to SR 28,1 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.

8. OTHER FINANCIAL ASSETS

The group's other financial assets balances consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<u>Financial assets at FVTPL</u>		
Money Market Funds (A)	216,889,651	491,545,452
Advance payment for future equity (B)	24,815,703	16,385,703
	<u>241,705,354</u>	<u>507,931,155</u>
<u>Financial assets at FVTOCI</u>		
Unquoted equity investments (C)	103,994,838	103,994,838
	<u>345,700,192</u>	<u>611,925,993</u>
Other financial assets are presented in the interim condensed consolidated statement of financial position as follows:		
Current	216,889,651	491,545,452
Non-current	128,810,541	120,380,541
	<u>345,700,192</u>	<u>611,925,993</u>

- 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 and multiples methods (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 and multiple methods are used for measurement(Fair Value Level 3).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

8. OTHER FINANCIAL ASSETS (CONTINUED)

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

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	611,925,993	45,444,261
Additions	42,430,000	525,941,166
Proceeds from other financial assets	(314,000,000)	-
Gains on financial assets at FVTPL	5,344,199	24,694,883
Gains on financial assets at FVTOCI	-	15,845,683
Balance at the end of the period / year	345,700,192	611,925,993

9. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Government receivables*	1,520,371,208	1,224,653,696
Trade receivables	757,504,583	693,369,225
	2,277,875,791	1,918,022,921
Expected credit losses provision	(311,813,813)	(263,216,898)
	1,966,061,978	1,654,806,023

* The balance of government receivables includes balances of related parties amounting to SR 24,6 million (2021: SR48,5 million) as in note 19.

10. 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 through subsequent to the financial periods.

Contract assets consists of the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Government contract assets*	781,067,546	695,977,283
Trade contract assets	113,938,899	35,268,742
	895,006,445	731,246,025
Expected credit losses provision	(70,944,621)	(70,947,564)
	824,061,824	660,298,461

* The government contract assets balance includes related party balances of SR49,3 million (2021: 2,8 million Saudi riyals) as in note 19.

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

All amounts in Saudi Riyals

11. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepayments and other current assets consists of the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred costs	64,640,766	44,291,639
Prepaid expenses	48,357,808	48,868,887
Employees receivable	22,542,648	18,275,169
Accrued murabaha deposit income	10,159,926	1,933,161
Other*	7,362,391	9,951,705
	153,063,539	123,320,561

* The balance of prepaid expenses and other current assets includes balances of related parties amounting to nil (2021: 7,5 million Saudi riyals) as in Note 19.

12. 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 3.5% annually (2021: 0.7% annually), and the interim condensed consolidated statement of profit or loss has been charged with a total deposit income of SR 9,9 million during the three months period ended September 30, 2022 (2021:SR 2,2 million) and for the nine months period ended September 30,2022 SR 17,0 million (2021:SR 6,8 million). All murabaha deposits mature within one year.

13. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash at banks	53,306,106	86,676,813
Short term murabaha deposits *	540,150,370	1,275,542,649
	593,456,476	1,362,219,462

* The balance of short-term murabaha deposits consists of short-term deposits of three months and less. The average commission is 3.3 % annually (2021: 1%).

** The company has a balance of SR 1,956 million (December 31, 2021: SR 135 million) 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.

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14. SHARE BASED PAYMENT

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 program aims to attract, motivate and retain the Group's employees. The program provides a share-based payment plan for eligible employees participating in the program in which they are granted shares in the company upon fulfillment of terms of service and performance.

Broad based Stock ownership program

During the period, the company announced a broad based Stock ownership program for its employees, the details of which are as follows:

Grant Date	March 30, 2022
Due date	February 16, 2023
Average fair value of the shares	210 Saudi Riyals
Maximum number of shares granted	101,640 shares
settlement method	Equity

The total expenses related to the program for the three and nine-months periods ended on September 30, 2022, amounted to SR 12,2 million (for the three and nine-months periods ended on September 30, 2021: nil) included in the employee benefits expense item in the interim condensed consolidated statement of profit or loss, with the corresponding amount recorded in other reserves in equity, in accordance with the requirements of International Financial Reporting Standard (2): Share- Based Payment.

15. END OF SERVICES BENEFITS PROVISION

Employee end of service benefits provision movement as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the period / year	263,057,441	228,121,038
Current service cost	36,218,553	45,767,793
Current service financing cost	4,656,845	4,836,748
Cost transfer	-	(596,174)
Benefits paid	(16,589,065)	(22,086,013)
Actuarial losses	-	7,014,049
Balance at the end of the period / year	287,343,774	263,057,441

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16. 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 September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit for the period	273,360,468	177,603,967	717,855,528	456,623,263
Number of share				
Weighted average number of shares for calculation for basic earnings per share*	77,600,000	80,000,000	78,005,882	80,000,000
Weighted average number of shares for repurchased shares (Note14)	2,400,000	-	1,994,118	-
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	3.52	2.22	9.20	5.71
Diluted	3.42	2.22	8.97	5.71

* The weighted average number of shares for the prior period has been adjusted retrospectively due to the capital increases transferred from the proposed capital increase.

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Income sharing accruals	774,070,105	418,179,490
Contractual cost	381,885,280	411,965,675
Employee accruals	225,313,589	253,325,121
Advance from customers	215,711,293	179,049,660
Dividend Payable	157,186,500	1,986,500
Incentives & marketing	32,557,145	28,892,316
Value added tax	23,282,309	9,084,019
Litigation provision	15,851,258	15,851,258
Retention payable	2,780,742	9,510,414
Others	9,103,504	9,357,399
	1,837,741,725	1,337,201,852

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18. ZAKAT

The group submitted all its zakat returns until the end of the year 2021, 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 interim condensed consolidated financial statements.

The Group submits and pays value added tax returns on a monthly basis. The group underwent a tax examination for the years 2018, 2019 and 2020, and accordingly 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:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	103,465,145	65,690,341
Charge during the period / year	73,160,517	81,729,235
Paid during the period / year	(57,917,840)	(43,954,431)
Balance at the end of the period / year	118,707,822	103,465,145

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of the main 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 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	Affiliates

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19. 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 September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Transactions				
Transactions with the main shareholder				
Service revenue	12,278,438	9,622,068	61,858,532	28,922,848
Purchase of Treasury Share	-	-	307,200,000	-
Paid Dividends	-	-	160,800,000	-
Unifonic company				
Services cost	10,401,861	10,353,734	27,907,719	22,750,925
Smart national Solution				
Services cost	1,488,250	1,673,253	7,922,927	2,344,707
Transaction with board of directors and senior executive managers				
Salaries and benefit	9,873,373	7,317,441	26,049,571	20,818,465
Remunerations and allowances	7,871,875	3,864,356	18,415,710	13,781,458
End of service indemnity	432,657	295,678	3,272,752	2,076,671

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances		
Due from related parties		
<i>Due from Public Investment Fund classified under:</i>		
Accounts receivable	24,608,612	48,514,622
Contract assets	49,371,477	2,827,157
Prepaid expenses and other current assets	-	7,557,750
Due to related parties		
Unifonic Company	7,508,734	12,895,453
Smart National Solution Company	1,832,732	1,913,554
	9,341,466	14,809,007

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20. 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 through various packages that suit each customer and their 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 in 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 follow:

	For the three months period ended September 30		For the nine months period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue				
Digital Business	794,767,584	475,685,658	2,162,063,242	1,531,866,994
Business Process Outsourcing	342,120,532	467,594,117	1,016,504,691	1,154,122,750
Professional Services	30,526,485	23,501,027	119,626,228	72,214,279
	1,167,414,601	966,780,802	3,298,194,161	2,758,204,023
Cost				
Direct cost	(716,807,005)	(639,464,402)	(2,057,625,648)	(1,849,497,195)
Operating expenses (except depreciation and amortization, ECL)	(120,054,851)	(95,186,792)	(325,290,139)	(263,148,881)
Expected credit loss (ECL)	(26,996,813)	(5,355,847)	(48,521,888)	(62,632,880)
Depreciation & amortization (Expenses) / other income	(30,680,091)	(30,466,840)	(85,216,188)	(83,700,349)
Zakat	21,909,034	2,130,279	9,475,747	21,283,869
	(894,054,133)	(789,176,835)	(2,580,338,633)	(2,301,580,760)
Net profit for the period	273,360,468	177,603,967	717,855,528	456,623,263

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20. SEGMENT INFORMATION (CONTINUED)

Below is a breakdown of gross profit by segments:

	For the three months period ended September 30		For the nine months period ended September 30	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Digital Business	322,016,703	177,841,571	927,715,476	594,241,492
Business Process Outsourcing	120,238,085	151,967,138	284,250,674	320,869,453
Professional Services	8,352,808	(2,492,309)	28,602,363	(6,404,117)
	450,607,596	327,316,400	1,240,568,513	908,706,828

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<i>Assets</i>		
Digital Business	3,727,013,867	2,853,008,836
Business Process Outsourcing	1,752,273,944	2,219,017,574
Professional Services	206,214,417	122,264,318
	5,685,502,228	5,194,290,728
<i>Liabilities</i>		
Digital Business	1,862,364,686	1,309,779,607
Business Process Outsourcing	875,599,939	1,018,722,385
Professional Services	103,044,008	56,129,974
	2,841,008,633	2,384,631,966

21. 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 amount of SR 100 million as on September 30, 2022 (December 31, 2021 : SR 401 million).

22. CONTINGENT LIABILITIES

- The Group has outstanding bank letters of guarantee amounted to SAR 41,9 million as of September 30, 2022 (December 31, 2021: SR 38,2 million).
- In the ordinary course of business, the Group enters into legal cases either as a plaintiff or as a defendant. As of September 30, 2022, there is a provision for legal cases in the amount of SR 15,8 million (31 December 2021: SR 15,8 million), which is the best estimate of the management on the outputs of these cases and the management does not expect that there will be any additional obligation over the amount recorded as a provision for these cases.

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23. DIVIDENDS

- Dividends for the year ended December 31, 2021

During its meeting held on Shawwal 8, 1443 corresponding to (May 9, 2022), the Ordinary General Assembly approved cash dividends amounted SR 232,8 million (3 riyals per share) for the year ended on December 31, 2021. Subsequently during May, the dividends were deposited.

- Dividends for the six-month period ending on June 30, 2022

During Board of Directors meeting held on Rabi' Al-Awwal 24, 1444 corresponding to September 20, 2022, they have been approved the distribution of cash dividends of SR155,2 million (at 2 riyals per share) for the first half of 2022. Subsequently during October, the dividends were deposited. This is based on the approval of the Ordinary General Assembly on Shawwal 8, 1443 corresponding (May 9, 2022) authorizing the Board of Directors to distribute interim dividends to shareholders on a semi-annual or quarterly basis for the fiscal year 2022.

24. SUBSEQUENT EVENTS

There were no significant subsequent events that required disclosure in these interim condensed consolidated financial statements.

25. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period presentation of the Interim condensed consolidated financial statements

26. APPROVAL OF THE FINANCIAL STATEMENTS

These Interim condensed consolidated financial statements were approved by the Board of Directors on 11 Rabi Al-thani, 1444 (corresponding to on 5 November, 2022).