ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Elm Company
(Saudi Joint Stock Company)

Riyadh – Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Elm Company** (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ('SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue from contracts with customers	
Key Audit Matter	***How our audit addressed the key audit matter***
The Group's revenue mainly consists of digital business, business process outsourcing, and professional services amounting to SR 4.6 billion for the year ended 31 December 2022. We considered this a key audit matter due to the audit of revenues related to digital business is dependent on the use of information technology. In addition, the considerations of the agent and principal according to the International Financial Reporting Standard no.15 "Revenues from Contracts with Customers" require the management to analyze the terms and conditions of the contracts with the customers to assess whether the Group is principal or agent, which affects the Group's presentation of revenues on a gross or net basis.	Our procedures included the following: • We involved our IT specialists in testing the design, implementation, and operating effectiveness of controls related to revenue recognition for a sample of digital business. • We tested a sample of reports extracted from the IT systems used for digital business revenues and match them with the amount recorded in the general ledger. • We traced a sample of digital business revenue with collected amounts in the Group's bank statements. • We tested a sample of transactions recorded before and after the year end to ensure that revenues were recorded in the appropriate period. • We audit those judgments taken by management to assess whether the Group is a principal or agent for a sample of the contracts. • We evaluated the adequacy and appropriateness of disclosures included in the consolidated financial statements
For more details ‹Refer to notes (2/3-5/ 5/32)	

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Expected credit losses provision for trade receivables and contract assets	
Key Audit Matter	***How our audit addressed the key audit matter***
As at 31 December 2022, the Group's accounts receivable and contract assets balance amounted to SR 2.8 billion, against which an impairment allowance of SR 483 million is maintained. The Group assesses at each reporting date whether the accounts receivable and contract assets are impaired. Management has applied an expected credit loss ("ECL") model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of accounts receivables and contract assets. The determination of allowance for expected credit losses is based on certain assumptions that relate mainly to risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, market conditions, as well as forward looking estimates. We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL.	Our procedures included the following: • We obtained an understanding of the process used by management in determining the allowance for expected credit losses for the accounts receivable and contract assets. • We assessed the significant assumptions used in the ECL model's calculation such as; forward-looking factors and macro-economic variables that are used to determine the allowance for expected credit losses. • We tested the completeness and mathematical accuracy of the ECL model. • We assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain customers and contract assets' categories. • We tested, on a sample basis, the calculation performed by management on allowance for expected credit losses for these categories of customers and contract assets. • We evaluated the adequacy and appropriateness of disclosures included in the consolidated financial statements.
For more details ،Refer to notes (2/3-16 /16/17/35)	

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and according to Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت: ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 17 Sha'ban 1444 (H)
Corresponding to: 9 March 2023 (G)

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHNSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
All amounts in Saudi Riyals

	Note	December 31, 2022	December 31, 2021
Revenue	5	**4,606,098,893**	3,827,650,269
Cost of revenue	6	**(2,720,238,240)**	(2,504,736,757)
GROSS PROFIT		**1,885,860,653**	1,322,913,512
EXPENSES			
Selling and marketing	7	**(235,185,339)**	(196,683,090)
Expected credit losses	35-A	**(148,819,716)**	(90,024,719)
General and administrative	8	**(372,958,213)**	(305,952,080)
Depreciation and amortization	10 .12 .13	**(120,049,688)**	(115,655,615)
Impairment of non-current assets	10 .13	**(36,455,686)**	-
OPERATING PROFIT		**972,392,011**	614,598,008
Finance cost	10 .12 .31	**(7,943,568)**	(4,783,220)
Income from murabha Deposit	19 .20	**41,227,288**	9,013,013
Share of (Loss)/ profit from associate	14	**(1,099,466)**	3,134,668
(Loss)/gain in fair value of other financial assets through profit or loss	15	**(402,085)**	24,694,883
Other income, net	9	**18,902,556**	1,963,302
NET PROFIT BRFORE ZAKAT		**1,023,076,736**	648,620,654
Zakat	30	**(92,887,147)**	(81,729,235)
NET PROFIT		**930,189,589**	566,891,419
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of other financial assets through other comprehensive income	15	**(8,805,133)**	15,845,683
Re-measurement of end of service benefits provision	27	**(8,376,190)**	(7,014,049)
TOTAL OTHER COMPREHENSIVE INCOME		**(17,181,323)**	8,831,634
TOTAL COMPREHENSIVE INCOME		**913,008,266**	575,723,053
EARNINGS PER SHARE FROM NET PROFIT:			
Basic	26	**11.94**	7.09
Diluted	26	**11.63**	7.09

Chief Financial Officer | Chief Executive Officer | Chairman

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
All amounts in Saudi Riyals

	Note	December 31, 2022	December 31, 2021
ASSETS			
NON–CURRENT ASSETS			
Property and equipment	10	**353,498,965**	346,560,482
Capital work in progress	11	**57,778,145**	58,031,644
Right-of-use assets	12	**80,386,822**	108,084,151
Intangible assets	13	**179,633,131**	165,266,727
Investments in associates	14	**2,397,758**	3,497,224
Other financial assets	15	**197,534,391**	120,380,541
TOTAL NON–CURRENT ASSETS		**871,229,212**	801,820,769
CURRENT ASSETS			
Accounts receivable	16	**1,465,078,203**	1,654,806,023
Contract assets	17	**804,461,993**	660,298,461
Prepaid expenses and other current assets	18	**212,713,357**	123,320,561
Other financial assets	15	**85,853,919**	491,545,452
Murabha deposits	19	**1,998,369,994**	100,280,000
Cash and cash equivalents	20	**588,679,391**	1,362,219,462
TOTAL CURRENT ASSETS		**5,155,156,857**	4,392,469,959
TOTAL ASSETS		**6,026,386,069**	5,194,290,728
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	**800,000,000**	800,000,000
Statutory reserve	22	**174,708,101**	81,689,142
Treasury share	23	**(307,200,000)**	-
Other reserves	25	**(24,180,887)**	(26,539,451)
Retained earnings		**2,403,679,701**	1,954,509,071
TOTAL EQUITY		**3,047,006,915**	2,809,658,762
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities for purchasing property	10	**25,396,063**	50,142,450
Lease liabilities	12	**71,192,414**	87,396,354
End of service benefits provision	27	**307,462,112**	263,057,441
TOTAL NON-CURRENT LIABILITIES		**404,050,589**	400,596,245
CURRENT LIABILITIES			
Accounts payable and other current liabilities	28	**1,903,401,458**	1,407,453,907
Contract liabilities	29	**472,263,219**	414,761,478
Zakat	30	**138,434,452**	103,465,145
liabilities of purchasing property	10	**24,746,387**	24,113,331
Lease liabilities	12	**11,572,140**	19,432,853
Due to related parties	31	**24,910,909**	14,809,007
TOTAL CURRENT LIABILITIES		**2,575,328,565**	1,984,035,721
TOTAL LIABILITIES		**2,979,379,154**	2,384,631,966
TOTAL EQUITY AND LIABILITIES		**6,026,386,069**	5,194,290,728

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

ELM COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
All amounts in Saudi Riyals

	Note	Share capital	Treasury shares	Proposed increase in capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2021		50,000,000	-	450,000,000	25,000,000	(35,371,085)	1,744,306,794	2,233,935,709
Net profit		-	-	-	-	-	566,891,419	566,891,419
Other comprehensive income		-	-	-	-	8,831,634	-	8,831,634
Total comprehensive income		-	-	-	-	8,831,634	566,891,419	575,723,053
Transfer to proposed increase in capital		-	-	300,000,000	-	-	(300,000,000)	-
Transfer to capital		750,000,000	-	(750,000,000)	-	-	-	-
Transfer to statutory reserve		-	-	-	56,689,142	-	(56,689,142)	-
Balance as at December 31, 2021		800,000,000	-	-	81,689,142	(26,539,451)	1,954,509,071	2,809,658,762
Balance as at January 1, 2022		800,000,000	-	-	81,689,142	(26,539,451)	1,954,509,071	2,809,658,762
Net profit		-	-	-	-	-	930,189,589	930,189,589
Other comprehensive income		-	-	-	-	(17,181,323)	-	(17,181,323)
Total comprehensive income		-	-	-	-	(17,181,323)	930,189,589	913,008,266
Purchase of treasury shares	23	-	(307,200,000)	-	-	-	-	(307,200,000)
Dividends	38	-	-	-	-	-	(388,000,000)	(388,000,000)
Share-based payment	24	-	-	-	-	19,539,887	-	19,539,887
Transferred to statutory reserve		-	-	-	93,018,959	-	(93,018,959)	-
Balance as at December 31, 2022		800,000,000	(307,200,000)	-	174,708,101	(24,180,887)	2,403,679,701	3,047,006,915

Chief Financial Officer   Chief Executive Officer   Chairman

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CAHS FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
All amounts in Saudi Riyals

	Notes	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit Before Zakat		**1,023,076,736**	648,620,654
Adjustments for non-cash items:			
Depreciation and amortization	10.12.13	**120,049,688**	115,655,615
Impairment of non-current assets	10.13	**36,455,686**	-
Expected credit losses	35-A	**148,819,716**	90,024,719
End of service benefits provision	27	**62,759,695**	50,008,367
Share based payment	24	**19,539,887**	-
Finance cost	10.12.31	**7,943,568**	4,783,220
Income from murabha deposit	19.20	**(41,227,288)**	(9,013,013)
Share of(Loss)/ profit from associate	14	**1,099,466**	(3,134,668)
Losses/ (Gains) at fair value of financial assets through profit or loss	15	**402,085**	(24,694,883)
Other income, net	9	**(8,006,898)**	(663,363)
		1,370,912,341	871,586,648
Working capital adjustments:			
Account receivable	16	**85,322,207**	(362,981,137)
Contract assets	17	**(188,420,420)**	(397,285,569)
Prepaid expenses and other current assets	18	**(68,167,359)**	(35,136,584)
Accounts payable and other current liabilities	28	**503,982,552**	566,195,325
Contract liabilities	29	**57,501,741**	8,429,298
Due to related parties	31	**10,101,902**	6,482,900
Cash from operations		**1,771,232,964**	657,290,881
Zakat paid	30	**(57,917,840)**	(43,954,431)
Proceeds from income from murabha deposits		**19,587,610**	7,177,915
End of service benefits paid	27	**(26,731,214)**	(22,086,013)
Net cash generated from operating activities		**1,706,171,520**	598,428,352
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabha deposits	19	**(1,898,089,994)**	437,688,184
Purchase of property and equipment and intangible assets	10.13	**(111,536,688)**	(24,056,195)
Proceeds from sale of property and equipment	10	**1,170,162**	7,797,357
Proceeds from other financial assets	15	**446,352,768**	-
Investments in associates	14	-	(150,000)
Investments in other financial assets	15	**(127,022,303)**	(525,941,166)
Payments for capital works in progress	11	**(42,155,522)**	(70,318,339)
Net cash used in from investing activities		**(1,731,281,577)**	(174,980,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	12	**(26,382,665)**	(32,725,725)
Purchase of treasury shares	23	**(307,200,000)**	-
Payment of liabilities for purchasing property	10	**(24,113,331)**	(23,496,471)
Finance cost paid	10 .12	**(2,734,018)**	(3,803,816)
Payments to related parties	31	-	(14,521,087)
Dividends paid	38	**(388,000,000)**	-
Net cash used in financing activities		**(748,430,014)**	(74,547,099)
Net (decrease)/Increase in cash and cash equivalents		**(773,540,071)**	348,901,094
Cash and cash equivalents at the beginning of the year	20	**1,362,219,462**	1,013,318,368
Cash and cash equivalents at the end of the year		**588,679,391**	1,362,219,462

Chief Financial Officer | Chief Executive Officer | Chairman

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

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.

The company owns a branch under Commercial Registration No. 4030446307dated Jumada Al-Thani 12, 1443 AH (corresponding to December 16, 2021), in Jeddah.

Subsidiaries

- Saudi Information Exchange Company ("Tabadul"), a closed Saudi Joint Stock Company registered with Commercial Register No. 1010274503 and it's headquarter is in Riyadh, was established through Royal Decree No. M/39 dated Rajab 7, 1430 AH (corresponding to December 31, 2009) and operates in the sectors of information and communications technology, installation, maintenance and support and support programs, systems and applications of communications and information technology, establishing, developing, operating and managing communications and information technology facilities and participating in the development, creation, operation, maintenance and management of technical areas.
- Emdad Al Khebrat Company Limited, a Limited Liability Company registered under commercial registration number 1010414975 on Rajab 22, 1435 AH (corresponding to May 21, 2014). The Company is wholly owned by Elm Company and it's headquarter is in Riyadh. The principal activity of Emdad Al Khebrat Company is to manage call centers, service centers and to provide consultation services in the field of electronic business, operation and maintenance, import, export and sale of devices, hardware, software, systems and workforce development.
- Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010069210 on Ramadan 11, 1440 AH (corresponding to May 16, 2019). The Company wholly owned by Elm Company and its headquartered is in Riyadh. The principal activities of the company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores.
- Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on Rabi Al Awal 8, 1441 AH (corresponding to November 5, 2019). The Company headquartered is in Riyadh. The Company is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The principal activity of the company is in financial services, experienced consultancy activities in the field of management and computer programming.

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

- Umrah Company for Specialized Services, a Single Person Limited Liability Company registered under commercial registration number 1010656805 on Safar 12, 1442 AH (corresponding to September 30, 2020). The company is wholly owned by Elm Company and it's headquartered is in Riyadh. The principal activities of the company is bus transport of passengers between the cities, catering services for Hajj and Umrah, inspection of different systems and measuring their performance, providing marketing services on behalf of others, marketing and reservation of tourist accommodation units, reception and farewell services for pilgrims. The Company has not yet commenced its business operations.
- Asdam Digital Company, a free zone company with limited liability under the Dubai commercial Companies Law, registered under Commercial Registration No. 99019, dated Safar 9, 1443 AH(corresponding to September 16, 2021), headquartered in Dubai, and wholly owned by the Future Resources Company Limited. the main activities of the company is In consulting services, customer service, developing and providing solutions and supporting service providers for technical systems.
- Elm Arkan Company, a Limited Liability Company Registered under commercial reiteration number 1010209530, dated Rabi' Thani 15, 1426 AH (corresponding to May 23, 2005), headquartered in Riyadh, and owned by 60% of Elm Company. The company's main activities is systems analysis, design and programming of special software, application development and financial technology solutions and providing Service management and control of communications and information networks, cybersecurity and the establishment of infrastructure for hosting websites on the Internet, data processing services and related activities.
- Elm Europe Limited, a private limited company, registered under commercial Registration No. 14554402, dated Jumada al-awwal 28,1444 AH (corresponding to December 22, 2022), headquartered in London, and wholly owned by the Elm Technical Investment Company. the main activities of the company is Conducting research and development activities related to emerging technologies.

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

2. BASIS OF PREPARATION

2.1 Accounting standards applied

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and professional Accountants ("SOCPA").

Certain prior period's figures have been reclassified to conform to the current period's presentation (Note 37).

2.2 Basis of consolidation

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.1 Basis of consolidation (continued)

The results of subsidiaries acquired or excluded during the year are included in the consolidated statement of profit or loss and other comprehensive income from the actual acquisition date or until the actual date of disposal, as appropriate.
All inter-company balances, significant transactions, and revenue and expenses and cash flows related to group transaction between the company and its subsidiaries are eliminated upon consolidation of the financial statements.

The non-controlling interests in the net assets of the subsidiary are determined separately from the equity of the company. Since the subsidiaries that are not wholly owned by the Company have not yet conducted their business. There are no non-controlling interest to be disclosed.

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

In case of loss of control over a subsidiary, it ceases to recognize the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, and the resulting gain or loss is then recognized in consolidated statement of profit or loss.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for:

- Employee end-of-service benefits which have been measured at the present value of future obligations using projected unit credit method which is measured at fair value through other comprehensive income.
- Other financial assets which are measured at fair value through other comprehensive income or profit or loss.
- Share-based payment which is measured at fair value for the share price at the grant date.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals which represents the functional currency for the group.

2.5 Use of assumptions and estimates and important accounting judgments

2.5.1 Important accounting judgments in applying accounting policies

The following are important judgments, regardless of those that include estimates made by the Group’s management during the process of applying the Group’s accounting policies which have a significant and major impact on the amounts recognized in the consolidated financial statements:

Determining Significant influence

Management considers that the group has significant influence over an entity when the group is exposed to risks or has rights to a significant part of the variable returns arising from its involvement with the investee and when it has the ability to make changes to the investee company to affect or participate in affecting that returns through its ability to participate in directing the related activities of the investee companies.

The determination of significant influence depends on the way decisions are made regarding the relevant activities and the Group’s rights in the investee companies.

In general, there is an assumption that owning a significant portion of the voting rights (typically above 20% of the voting rights) leads to a significant influence.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Use of assumptions and estimates and important accounting judgments (continued)

2.5.1 Important accounting judgments in applying accounting policies (continued)

Determining Significant influence (continued)

Management use the equity method for investees where it has a significant influence, when ownership is in ordinary shares and other instruments that are substantially similar to the ordinary shares of the investee ("'in-substance ordinary shares'"). Management assesses that for an instrument to qualify as an in-substance ordinary share for this purpose, an instrument would need to carry rights that are substantially the same as the investee's ordinary shares and provide returns associated with those ordinary shares. When investing in Start-up's management assess whether the investment is substantially similar to the investment in the ordinary shares of the investee, and take into consideration all the characteristics below:

1- Subordination rights
2-Risks and rewards of ownership
3- Obligation to transfer value

Management has assessed that there are substantive subordination rights of the preferred shares the group owns as compared to the ordinary shares, causing the instruments not to be substantially similar. Accordingly, the management measures these investment at fair value, and present it as part of other financial assets.

Determination of control

Subsidiaries are all investee companies that the Group controls. Management considers that the Group controls an entity when the Group is exposed to, or has rights, to most variable returns from its involvement with the investee and has the ability to use its power over the investee to affect those returns through its ability to direct relevant activities. Relationship with the investee companies.

The determination of the group's control depends on the way decisions are made regarding the related activities and the group's rights in the investee companies.

In general, there is an assumption that having a majority of voting rights leads to control. In support of this presumption, when the Group has equal or less than a majority of the voting rights of the investee, the Group considers all relevant facts and circumstances when assessing whether it exercises control over the investee, including contractual and other arrangements that have an effect on Activities that affect the returns of the investee companies.

Principal versus agent

The Group has made an assessment of its arrangements to determine whether it is acting as principal and then presents revenue at gross or agent and then presents revenue on a net basis. In this evaluation, the group took into account obtaining or not obtaining control over the stipulated goods or services before they are transferred to the customer. As well as other indicators like if the party primarily responsible for fulfillment and appreciation when setting the price, and in cases where the group conducts Agency activities related In accordance with a contract whereby the end customer receives project management and coordination support. The group only proves net commission income where you arrange for a third party to transfer goods or services under that arrangement and thus act as an agent.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Use of assumptions and estimates and important accounting judgments (continued)

2.5.1 Important accounting judgments in applying accounting policies (continued)

Determine the lease term for contracts that include renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

2.5.2 Using assumptions and estimates

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the consolidated financial statements and the amounts of revenue and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and procedures, actual results may ultimately differ from these estimates due to circumstances out of the groups control. The estimates and underlying assumptions are reviewed on an ongoing basis, and adjustments to accounting estimates are recognized in the period in which the estimates are revised if the adjustment affects only that period or in the period of the review and future periods if the adjustment affects current and future periods.

The following are important assumptions that relates to future periods and other major sources of uncertainty in the estimates in the financial reporting period that may have significant risks that result in substantial adjustments to the carrying amounts of assets and liabilities for the upcoming financial year:

Estimated useful lives and residual values of property and equipment and intangible assets

The useful lives and residual values of property,equipment and intangible assets are calculated for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on the expected usage of individual assets. The residual value is determined based on experience and observable data when available.

The assumptions used to estimate the impairment of non-current assets

Determining the impairment of non-current assets requires making a value-in-use for non-current assets or the cash-generating unit where the non-current assets belong. The value used in the calculation requires the management to make an estimate of the expected future cash flows from the non-current assets or the cash generating unit and an appropriate discount rate in order to calculate the present value. An impairment loss can be significant when the actual future cash flows are less than expected.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Use of assumptions and estimates and important accounting judgments (continued)

2.5.2 Using assumptions and estimates (continued)

The assumptions used to determine the actuarial value of end of service benefits provision

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

Zakat provision

Zakat provision is estimated at the end of each reporting period in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA), and on an annual basis Zakat returns are submitted to the Zakat, Tax and Customs Authority. The adjustments resulting from the final zakat assessment are recorded during the reporting period in which this assessment is approved by the Zakat, Tax and Customs Authority.

Calculation of expected credit losses provision

The estimate of the expected credit loss allowance is calculated in accordance with the accounting policy detailed in (Note 3).

The Group uses a dedicated matrix for the purpose of calculating expected credit losses for accounts receivable, contract assets and employee receivables. This matrix is initially based on historical default rates. The Group calibrates the matrix to adjust the historical experience of credit losses for forward-looking information, at each reporting date the Group updates the historical default rates and this is reflected in the forward-looking estimates. Management also estimates the credit loss for specific cases separately.

Expected credit losses are recognized in the consolidated statement of profit or loss. The difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

The assumptions used to determine the actuarial value of end of service benefits provision

The Group has made various estimates to determine the actuarial value of the employee end of service benefits provision. These estimates are disclosed in Note 27.

The assumptions used to measure revenue

The Group estimates revenue on the basis of the expected average collection of control and inspection projects, based on historical data associated with these projects.

Incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a statement of the significant accounting policies used by the group in preparing its consolidated financial statements:

3.1 Classification of assets and liabilities as "current" and "non-current"

The group presents the assets and liabilities in the consolidated statement of financial position as current / non-current. The assets are classified current when:

- It is expected to be realized or intended to be sold or exhausted during the normal operations cycle.
- If it is acquired mainly for trading purposes;
- It is expected to be realized within 12 months after the financial period; or
- When it is cash and cash equivalents unless there are restrictions on their replacement or their use to pay off any liabilities for a period not less than 12 months after the financial period.

All other assets are classified as "non-current".

All liabilities are classified current when:

- It is expected to be paid during the normal operations cycle;
- If acquired mainly for trading purpose;
- It is due for payment within 12 months after the financial period; or
- There is no unconditional right to postpone the payment of liabilities for a period not less than 12 months after the financial period.

All other assets are classified as "non-current".

3.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses appropriate valuation methods in accordance with the circumstances, and sufficient data are available for it to measure the fair value and increase the use of observable inputs and reduce the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Fair value measurement (continued)

All other assets and liabilities that are measured at fair value or disclosed in the consolidated financial statements are categorized within the fair value hierarchy mentioned below and based on the lowest level inputs that are significant to the fair value measurement as whole.

- Level 1 - quoted prices in active markets for identical assets or liabilities (i.e. without modifying or renewing prices);
- Level 2 - fair value measurements that consider significant lower level inputs that are observable directly or indirectly; and
- Level 3 - fair value measurements that don't consider significant lower level inputs that are unobservable.

With respect to the assets and liabilities that are recognized in the consolidated financial statements at fair value on a frequent basis, the Group determines whether the transfer has occurred between the hierarchical levels to measure the fair value by recalibrating the classification (based on significant lower level inputs to measure the fair value as a whole) at the end of each financial period.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of assets and liabilities and a hierarchy of levels of fair value measurement mentioned above.

3.3 Business Combination process for common-controlled entities

Business combination process that involves common-controlled entities and that does not include a consideration is accounted for using business combination pooling of interest method where the assets and liabilities are recorded at their book value in the books of the acquirer. As for business combination process that involves common-controlled entities and that includes a consideration is accounted for using acquisition method of accounting. The consolidated financial statements after the acquisition are presented from the declaration date of the combination without consolidating or restating the comparative year figures and goodwill resulting from the acquisition is not recorded. Any costs incurred from the acquisition are directly recognized in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investments in associates

An associate is an entity over which the Group has significant influence but does not have control or joint control over it. Significant influence is the Group ability to participate in the financial and operating policies decisions of the investee but has no control or joint control over those policies.

The considerations made in determining significant influence are holding– directly or indirectly – voting rights in the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making, including participation in decisions about dividends or other distributions; material transactions between the Group and its investee; interchange of managerial personnel; or provision of essential technical information.

The investment in associates are accounted for in the consolidated financial statement of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position is initially recognized at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the associate adjusted for any impairment in the value of net investment. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses.

Additional losses are recognised and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gain or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

When the Group discontinues accounting for an investment under the equity method due to a loss of control or significant influence, any retained interest in the entity is re-measured at fair value, and the change in carrying amount is recognized in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified directly to the consolidated statement of profit or loss or the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue recognition

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers using Five steps method as mentioned in IFRS 15:

Step (1): Identify the contract (s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.

Step (2): Identify the performance obligations in the contract. A performance obligation is an undertaking stipulated in the contract with the customer to transfer a good or service to the customer.

Step (3): Determine the transaction price: The transaction price represents the amount of compensation that the group expects to have the right in exchange for transferring the promised goods or services to the customer except the amounts that are collected on behalf of third parties.

Step (4): Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that involve more than one performance obligation, the Group will allocate the transaction price to each performance obligation, in an amount that the Group expects to have the right to fulfill each performance obligation.

Step (5): Recognize revenue when (or as) the entity satisfies a performance obligation.
The Group fulfills a performance obligation and recognizes revenue over a period of time if one of the following controls is met:

A) The performance of the group does not originally create an asset with an alternative use to the group, and the group has the right to enforce payment in exchange for the performance completed to date.

B) Group performance creates or improves a customer-controlled asset at the same time that the asset is constructed or improved.

C) The customer receives the benefits provided by the performance of the facility and consumes it at the same time once the group has performed.

With regard to performance obligations, if any of the above conditions are not met, revenue is recognized at a point of time in which the performance obligation is fulfilled.

In the event that the Group fulfills the performance obligation through providing the promised services, this will lead to the creation of an asset based on a contract in exchange for compensation earned from the performance. In the event that the compensation received by the customer exceeds the amount of proven revenue, a contract obligation may arise. The Group takes in consideration the transition of the asset (or service) that fulfills the performance obligation, if applicable.

Revenue is measured at the fair value of the consideration received or receivable, after taking into consideration the terms of the contractual payment, and after excluding taxes and fees. The Group reviews revenue arrangements in accordance with specific criteria to ascertain whether it is acting as principal or agent.

When the Group is not highly certain of the possibility of collecting from certain customers, the revenue is recognized upon collection.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue recognition (continued)

Revenue from contracts with customers (continued)

Revenue is recognized to the extent that it is probable that the economic benefits of the group will flow, and that revenue and costs, if applicable, can be measured reliably.

The following is an explanation of the revenue recognition method for each segment:

1- Digital Business: Digital business revenue consists of two types: products and projects, revenue from products are recognized as follows for subscriptions over a period of time, as for transactions, they are recognized at a point in time. Project revenue over time and at a point in time based on the nature of the performance obligation specified in the contract.
2- Business Process Outsourcing: Revenue from the business process outsourcing segment consists of projects. Revenue is recognized over time and at a point in time based on the nature of the performance obligation specified in the contract.
3- Professional Services: Professional services segment revenue consists of projects. Revenue is recognized over time and at a point in time based on the nature of the performance obligation specified in the contract.

3.6 Foreign currencies

Balances and foreign transactions

Originally, transactions in foreign currencies are transferred by the Group's entities at the exchange rates prevailing in the functional currency of the date on which the transaction occur.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing in the functional currency at the date of preparation of the consolidated financial statements. Differences arising from settlement or transfer of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost, recorded in a foreign currency, are translated at the exchange rates prevailing at the date of the initial transactions. Non-monetary items recorded in foreign currencies that are measured at fair value at the exchange rates prevailing at the date when the fair value is determined are transferred. Profits or losses resulting from the conversion of non-monetary items that are measured at fair value are treated in accordance with the recognition of gains or losses resulting from the change in the fair value of the item (i.e. translation differences are recognized on items whose profit or loss is measured at fair value in other comprehensive income or consolidated statement of profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. This cost includes cost of replacing part of the property, plant and equipment and borrowing costs related to long-term construction projects, in case the evidentiary standards are met. If the replacement of important parts of plant and equipment is required on stages, the group consumes these parts independently over their useful lives. Conversely, when a major examination is performed, its cost is recognized in the carrying amount of the equipment as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred. The present value of the expected cost of removing an asset (if any) after its use is included in the cost of the underlying asset in the event that the evidentiary criteria related to the recognition of the allowance are fulfilled.

Any item of property and equipment and any significant part that was initially recognized is discontinued upon exclusion or when there are no future benefits expected from use or disposal. Any gains or losses arising from discontinuation of any asset (calculated as the difference between the net proceeds from disposals and the carrying amount of the asset) are included in the consolidated statement of profit or loss for the year in which the asset is discontinued.

The residual value, useful lives, and methods of depreciation of property and equipment are reviewed at the end of each financial period and adjustments are made in the future, if appropriate.

Under construction projects appear at the cost incurred until the asset is prepared for the purpose for which it was created. This cost is then capitalized to the related assets. Cost includes the cost of contractors, materials, services, and capital advances.

The Group depreciates property, plant and equipment on a straight line basis. The following are the expected useful life of the group's property and equipment:

- Leasehold improvements: 5 years or contract term, whichever is less
- Information system devices: 3-5 years
- Buildings: 25 – 33 years
- Vehicles: 4 - 5 years
- Furniture and fixtures : 4 - 7 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets

Intangible assets acquired independently are measured on initial recognition at cost. The cost of intangible assets acquired in the consolidation of entities represents the fair value at the date of acquisition. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Internally developed intangible assets are capitalized.

Intangible assets with a specified life are amortized over their estimated useful lives, and reviewed to ensure that there is an impairment in its value when there is an evidence that indicates that decrease has occurred. The period and method for amortization of intangible assets with a finite useful life are reviewed at least at the end of each financial reporting period. Changes in the accounting of expected useful life or the method of amortizing future economic benefits embodied in the asset – through adjusting the amortization period or method, as appropriate, and it is considered as changes in accounting estimates . Amortization expense for intangible assets with specific lives is recognized in the consolidated statement of profit or loss as an expense and in line with the function of the intangible assets.

Intangible assets that do not have a specific life are not amortized, but are tested annually to ensure that there is no impairment in their value either alone or at the cash-generating unit level. The indefinite life asset is reviewed annually to ensure that the assessment made for the unspecified useful life is still supported, otherwise the change from "specified life" to "unspecified life" will be made on a future basis.

Profits or losses resulting from discontinuation of the recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of profit or loss upon discontinuation of the asset.

Computer programs and platforms

Computer programs and platforms are recorded at cost, less accumulated amortization and accumulated impairment losses. Historical cost includes the expenses directly related to purchasing or developing the items.

Projects under construction relating to intangible assets are stated at the cost incurred until the asset is prepared for the purpose for which it was developed. This cost is then capitalized on the respective assets. The cost mainly includes the cost of software licenses and developer salary expenses.

Amortization is charged to the statement of profit or loss on a straight-line basis, in order to allocate costs to the related assets less the residual value over the estimated useful lives.

Computer programs and electronic systems are amortized over 5 years. Unless it has a definite useful life.

3.9 Impairment of non-financial assets

The Group, at the date of preparing the consolidated financial statements, makes an assessment to ensure that there is no evidence of any impairment in the value of an asset. In case that such evidence exists or when an annual test is required to confirm the existence of an impairment in the value, the Group estimates the recoverable amount for that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of non-financial assets (continued)

The recoverable amount represents the higher value of the fair value of the asset or cash generating unit, less costs of disposal and the present value, and is determined for each asset, except in cases where the asset does not generate cash inflows that are largely independent of those from other assets or group assets. In cases where the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the asset is considered to be impaired and is written down to the recoverable amount.

When estimating the present value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments for the time value of money and the risks inherent in the asset. When determining the fair value less cost of sales, it is taken into consideration the latest market transactions that are available. Where no such factors can be identified, appropriate valuation methods are used.

The Group calculates present value based on the information used in calculating the detailed budgets and forecasts, which are prepared independently for each cash generating unit in the group to which the asset is allocated. The information used to calculate budgets and expectations usually covers a five-year period. A long-term growth rate is calculated and applied to the expected future cash flows after the fifth year.

Impairment losses from continuing operations are recognized in the consolidated statement of profit or loss.

For assets, except goodwill, an evaluation is performed at the date of preparing all consolidated financial statements, to ensure that there is any indication that there were no previously reported impairment losses or decreases. If such evidence exists, the Group estimates the recoverable amount of the asset or cash generating unit. The previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal of the entry is limited so that the book value of the asset does not exceed the recoverable value of it nor the book value that was supposed to be determined after deduction of depreciation if the impairment loss was not proven in previous years. This reversal is recognized in the consolidated statement of profit or losses.

Intangible assets with indefinite useful lives are tested to ensure that there is no annual decrease in their value, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.10 Cash and cash equivalents

Cash and cash equivalents are shown in the consolidated statement of financial position comprise cash at banks, cash in hand, murabha deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits as stated above after deducting bank overdrafts (if any) since it's considered an integral part of the group's cash management.

3.11 Murabha deposits

Long-term murabha deposits include long-term deposits with banks with an original maturity of more than three months. Bank deposits are considered as a cash management tool for the group. Returns from bank deposits are accounted for in the statement of profit or loss when due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Dividend distribution

The Group recognizes distributions to shareholders as a liability when the distribution is approved. The corresponding amount is recognized directly in equity.

3.13 Provisions

Provisions are recognized when the Group has current or expected legal obligations as a result of past events, it is probable that the outflow of resources with economic benefits will be necessary to settle the obligation and a reliable estimate of the amount of the obligation can be performed. When the Group expects that some or all of the provisions will be recovered, for example under an insurance contract, the recoveries are recognized as a separate asset but only when these recoveries are almost confirmed. The expense related to the provision is displayed in the consolidated statement of profit or loss after discounting any recoverable amounts. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate, which reflects, when appropriate the risks related to the obligation. When using a discount, the increase in the provision due to the passage of time is recognized as a finance cost.

3.14 Segmental reporting

The Group's operating segments are identified based on internal reports that are regularly reviewed by the Group's chief operating decision maker (chief operating decision maker) in order to allocate resources between the segments and to assess their performance.

3.15 Employee end of service benefits

The group provides end of service benefits to the employees if eligible as a defined benefit program.

The net assets or liabilities of the retirement program recognized in the consolidated statement of financial position are the fair value of the program assets, if any, less the present value of the defined benefit obligations expected at the preparation date of the consolidated financial statements.

The Group is required to make assumptions about variables such as discount rates, salary increase rate, longevity, employee turnover and future healthcare costs, where applicable. Changes in the underlying assumptions can have a significant impact on the expected benefit obligations and the costs of defined employee benefits. All assumptions are reviewed at each consolidated financial statement date.

The defined benefit liabilities are periodically re-measured by independent actuaries using the expected credit unit method. The present value of the defined benefit liabilities is determined by discounting the estimated future cash flows using commission rates for high-quality corporate bonds that are recorded in the currency in which the benefits are to be paid, and which have terms close to the terms of the related obligations. Commission cost is calculated by applying the discount rate to the net balance of the defined benefit liabilities and the fair value of the program assets. This cost is included in employee benefits expenses in the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee end of service benefits (continued)

The costs of the defined benefit liabilities for the initial periods are calculated on an annual basis using the rate of actuarially defined pension cost at the end of prior year, after adjusting for significant market fluctuations and any significant one-time events, such as program adjustments or manpower cuts and reimbursement. In the absence of such significant market fluctuations and one-time events, actuarial liabilities are carried forward based on assumptions at the beginning of the year. If there are material changes to the assumptions or arrangements during the initial period, a re-measurement of these liabilities is taken into consideration.

Re-measurements, comprising actuarial gains and losses, are reflected immediately in other comprehensive income in the period in which they occur. Changes in the present value of the defined benefit liabilities resulting from settlements or downsizing the program are recognized directly in consolidated statement of profit or loss and other comprehensive income as a past service cost.

A liability assessment under these programs is performed by an independent actuary based on the expected credit unit method. The costs related to these programs consist mainly of the present value of related benefits, on an equal basis, in each year of service and commissions on this obligation in relation to employee services in prior years.

The costs of current and prior services related to post-employment benefits are recognized directly in the consolidated statement of other comprehensive income while the increase in the commitment to the discount rates recorded as a financing costs. Any changes in net liabilities as a result of actuarial valuations and changes in assumptions are re-measured to other comprehensive income.

In the Kingdom of Saudi Arabia, with regard to the employee end of service benefits provision, the actuarial valuation process takes into consideration the Saudi labor law and the group policy.

3.16 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual instrument. The following are the significant accounting policies followed by the group for the classification, recognition and measurement of financial instruments:

A. Financial assets

A.1 Classification and initial Recognition

The classification and initial recognition of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies and recognizes its financial assets as follows:

- Financial asset at amortised cost;
- Financial asset at Fair value through Profit or loss ("FVTPL");
- Financial asset at fair value through other comprehensive income ("FVOCI")and

Below is a detailed statement of the classification and initial proof of each of the above-mentioned items;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

A. Financial assets (continued)

Financial asset at amortised cost

A financial asset is measured at amortised cost, if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows (HTC); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding It results in cash flows that are only payments of the principal amount and commission on the principal amount outstanding. This evaluation is referred to as the "pay test Only from principal and commission", and this evaluation is performed at the level of the financial instrument.

Accounts receivable and contract assets, which are held to collect contractual cash flows that are expected to result in cash flows that are solely payments of principal, or cash flows that are solely payments of principal and commission on the principal amount that do not carry a significant financing portion, are measured at transaction cost.

Financial asset at FVOCI

Equity instruments

On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at FVTPL

All financial assets not classified as held at amortised cost or FVOCI are classified as FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

A. Financial assets (continued)

A.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

Financial asset at amortised cost

-Debt Instruments

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

As at the date of preparing these consolidated financial statements, the Group does not have any debt instrument assets.

-Accounts receivable and contract assets

Accounts receivable and contract assets, which are held to collect contractual cash flows that are expected to result in cash flows that are solely payments of principal, or cash flows that are solely payments of principal and commission on the principal amount that do not carry a significant financing portion, are measured at transaction cost. Subsequent measurement and impairment are described in the note on impairment below.

Financial asset at FVTPL

The financial assets measured at fair value through profit or loss ("FVTPL") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

Financial asset at FVOCI

Financial assets are measured at fair value through other comprehensive income at the end of each reporting period and the transaction costs that the Group incurs when the assets are disposed of in the future are not discounted.

A.3 De-recognition

A financial asset or a part of a financial asset is de-recognised when:

• The rights to receive cash flows from the asset have expired, or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

a) The Group has transferred substantially all the risks and rewards of the asset; or
b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount assigned to the part of the asset for which recognition was expected) and the sum of (i) the consideration received and (ii) any cumulative gain or loss recognized in other comprehensive income It is recognized in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

A.4 Impairment

Management assesses on a forward-looking basis the ECL associated with its account receivables, contract assets and employee receivables.

Management applies the simplified approach in calculating ECL's. Therefore, management does not track changes in credit risk, but instead recognised a loss allowance base on lifetime ECL's at each reporting date. Management has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Also, management evaluate on on-going basis the credit risk where it takes additional ECL for specific cases where applicable.

A.5 Business model assessment

The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

A.6 Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

B. Financial liabilities

B.1 Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at gain value through profit or loss ("FVPL"); and
- Other financial liabilities measured at amortised cost using the effective interest method ("EIR") method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVTPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value.

As of the date of this financial statement the group doesn't have any Financial liabilities at FVTPL.

B.2 Subsequent measurement

Financial liabilities at FVTPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gain and losse are recognised in the consolidated statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss .

For accounts payables and contract liabilities. They are initially recognized at fair value and subsequently measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

B. Financial liabilities (continued)

B.3 *De-recognition*

A financial liability is de-recognised when the obligation under the liability is settled or discharged.

3.17 Leases

The Group assesses whether a contract is based on or contains a lease based on the lease concept and determines whether the arrangement is based on or contains a lease based on the substance of the arrangement at the inception of the lease. An arrangement is or contains a lease if the arrangement is based on a right to use an asset or assets and the arrangement provides a right to use the asset or assets for a specified period even if this right is not expressly stated in the arrangement.

A. *The group as a Lessee*

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs, and any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated over the estimated useful life of the asset or the term of the lease on a straight line basis, whichever is shorter. If ownership of the leased asset passes to the Group at the end of the lease term or the right-of-use cost reflects the Group's exercise of the option to purchase the leased asset, then the asset is depreciated over the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

All lease payments are allocated between the obligation and the finance cost. The finance cost is recognized in the consolidated statement of profit or loss over the term of the lease.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Impaired assets are those items that do not reach the Group's capitalization threshold. Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis in the consolidated statement of profit or loss.

B. Group as a lessor

Leases in which the Group does not transfer all the significant risks and rewards of ownership of the asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included within other income in the consolidated statement of profit or loss. Initial direct costs incurred during the negotiation and arrangement of an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as a lease expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Zakat

The Group calculates and records the zakat provision based on the zakat base in its consolidated financial statements in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessment are recorded in the reporting period in which such assessment is approved by the Zakat, Tax, and Customs Authority ("ZATCA").

3.19 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.

3.20 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 (note 24).

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense included in the salaries and benefits of the employees, with a corresponding increase in the other reserves at the equity statement, over the vesting period of the awards.

The cumulative expense recognized at each reporting date until the long-term employee incentive program end date reflects the Group's best estimate of the number of shares that will ultimately vest.

In the case of the program terms adjusted, the minimum expense recognized is equal to the value of the expense as if the terms had not been adjusted, If the original terms are met. Any additional expense is recognized for any adjustment leading to an increase in the fair value of the awards or bringing benefit to the employees and measured at fair value on the date of the adjustment.

The amount recognized 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 recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

In case of the cancellation of the program, the processed of the cancellation is an acceleration of vesting, and recognize immediately the amount of expenses that would have been recognized including those benefits that are not earned and are controlled by the company or the employee and which are not yet due. In case a new program is implemented to replace one that has been terminated, and it determined as an alternative program on the grant date to the new program, the terminated program and the new program are processed as if it was a an adjustment to the original program, as mentioned in the previous paragraph.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January1, 2021(unless otherwise indicated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A, New and amended standards and interpretations

- Amendments to IFRS 3, IAS 16, IAS 37

IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The application of these amendments does not have any material impact on the consolidated financial statements during the year.

B, New and amended IFRSs not yet effective

- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendments to IAS 12 Deferred tax relating to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that lead, on initial recognition, to equal amounts of temporary differences that are deductible and taxable.

All amounts in Saudi Riyals

5. REVENUE

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

	December 31, 2022	December 31, 2021
Digital Business	**3,139,716,782**	2,102,369,815
Business Process Outsourcing	**1,301,376,963**	1,635,184,409
Professional Services	**165,005,148**	90,096,045
	4,606,098,893	3,827,650,269

Revenue sources:

	December 31, 2022	December 31, 2021
Revenue from private parties	**2,655,220,084**	1,597,025,067
Revenue from government agencies	**1,950,878,809**	2,230,625,202
	4,606,098,893	3,827,650,269

Revenue recognition time:

	December 31, 2022	December 31, 2021
At a point in time	**3,495,512,431**	2,767,528,617
Over a period of time	**1,110,586,462**	1,060,121,652
	4,606,098,893	3,827,650,269

6. COST OF REVENUE

Cost of revenue is as follows:

	December 31, 2022	December 31, 2021
Direct costs	**1,437,414,287**	1,428,540,220
Salaries and employee benefits	**1,282,823,953**	1,076,196,537
	2,720,238,240	2,504,736,757

All amounts in Saudi Riyals

7. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are as follows:

	December 31, 2022	December 31, 2021
Salaries and employee benefits	157,756,293	137,636,972
Partnerships sales commission	40,579,335	33,739,478
Advertising and exhibitions	18,984,476	10,212,859
Bank sales fees	11,670,807	8,078,346
Public relations	4,010,176	4,934,113
Other expenses	2,184,252	2,081,322
	235,185,339	196,683,090

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are as follows:

	December 31, 2022	December 31, 2021
Salaries and employee benefits	300,130,870	247,162,061
Consulting and professional services	14,519,508	16,108,647
Subscriptions and memberships	12,252,915	9,776,539
Hospitality and activities	12,161,738	6,043,446
Contractor expenses	10,777,122	7,822,347
Repair and maintenance expenses	4,289,882	1,359,936
Utilities and communications	2,078,543	3,780,204
Other expenses	16,747,635	13,898,900
	372,958,213	305,952,080

9. OTHER INCOME, NET

Other income are as follows:

	December 31, 2022	December 31, 2021
Funds received from HRDF to support Saudization	11,617,797	6,546,041
Reversal of retention payable	8,035,001	-
Donations	(1,000,000)	(5,000,000)
Others	249,758	417,261
	18,902,556	1,963,302

All amounts in Saudi Riyals

10. PROPERTY AND EQUIPMENT

	Land (A)	Buildings (A)	Information system devices	Furniture and fixtures	Leasehold improvements	Vehicles	Total
Cost							
Balance as at January 1, 2021	33,760,000	301,110,146	100,337,420	44,744,867	113,825,042	8,232,904	602,010,379
Additions during the year	-	214,664	7,963,967	236,853	10,560	5,801,468	14,227,512
Transfer from capital work in progress	-	-	17,130,452	490,755	-	-	17,621,207
Disposals during the year (B)	-	(7,726,233)	(356,056)	(182,336)	-	(3,051,500)	(11,316,125)
Balance as at December 31, 2021	33,760,000	293,598,577	125,075,783	45,290,139	113,835,602	10,982,872	622,542,973
Additions during the year	**-**	**-**	**28,303,649**	**584,795**	**338,141**	**7,888,061**	**37,114,646**
Transfer from capital work in progress	**-**	**-**	**12,068,973**	**43,850**	**-**	**-**	**12,112,823**
Disposals during the year	**-**	**-**	**(4,134,155)**	**(1,544,418)**	**-**	**(1,946,701)**	**(7,625,274)**
Balance as at December 31, 2022	**33,760,000**	**293,598,577**	**161,314,250**	**44,374,366**	**114,173,743**	**16,924,232**	**664,145,168**
Accumulated Depreciation and Impairment							
Balance as at January 1, 2021	-	31,548,604	64,480,117	37,600,156	89,342,931	5,306,154	228,277,962
Depreciation during the year	-	9,060,406	19,795,820	2,589,208	18,491,415	1,949,811	51,886,660
Disposals during the year	-	(663,363)	(354,989)	(182,348)	-	(2,981,431)	(4,182,131)
Balance as at December 31, 2021	-	39,945,647	83,920,948	40,007,016	107,834,346	4,274,534	275,982,491
Depreciation during the year	**-**	**9,052,507**	**25,124,831**	**2,010,263**	**1,666,023**	**3,165,697**	**41,019,321**
Impairment during the year	**-**	**-**	**71,400**	**-**	**-**	**-**	**71,400**
Disposals during the year	**-**	**-**	**(3,856,741)**	**(1,353,700)**	**-**	**(1,216,568)**	**(6,427,009)**
Balance as at December 31, 2022	**-**	**48,998,154**	**105,260,438**	**40,663,579**	**109,500,369**	**6,223,663**	**310,646,203**
Net book value:							
As at December 31, 2022	**33,760,000**	**244,600,423**	**56,053,812**	**3,710,787**	**4,673,374**	**10,700,569**	**353,498,965**
As at December 31, 2021	33,760,000	253,652,930	41,154,835	5,283,123	6,001,256	6,708,338	346,560,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
All amounts in Saudi Riyals

10. PROPERTY AND EQUIPMENT (CONTINUED)

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

	December 31, 2022	December 31, 2021
Cost of revenue	**16,671,105**	12,062,410
General and administrative expenses	**23,575,603**	39,172,646
Selling and marketing expenses	**772,613**	651,604
	41,019,321	51,886,660

(A) During year 2011, ELM Company purchased a land and a main building for the company in the amount of SR 25 million and SR 228 million, respectively. Noting that the amount will be paid according to a schedule of payments agreed in the sales contract, where the last payment will be in 2024, and the ownership of the land and building will be transferred to the company when the last payment is made. The company added improvements to the building amounting to SR 50 million, the cost of the building then become SR 278 million.

The liabilities for purchasing a property presented on the consolidated on the financial position of the following:

	December 31, 2022	December 31, 2021
Liabilities for purchasing a property - non current	**25,396,063**	50,142,450
Liabilities for purchasing a property – current	**24,746,387**	24,113,331
	50,142,450	74,255,781

The following are finance costs related to the property that is charged to the consolidated statement of profit or loss:

	December 31, 2022	December 31, 2021
Finance cost	**2,206,489**	2,816,775

The following is a schedule of the due payments over the coming years:

Year	**Value**
First year	26,062,795
Second year	26,062,795
	52,125,590

(B) During the year 2021, the Group disposed an amount of SR7 million from the cost of the buildings, which represents a settlement of that cost resulting from winning a legal case.

All amounts in Saudi Riyals

11. CAPITAL WORK IN PROGRESS

Capital work in progress consists of electronic platforms and products are as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**58,031,644**	108,538,021
Additions	**42,155,522**	70,318,339
Transferred to property and equipment (Note 10)	**(12,112,823)**	(17,621,207)
Transferred to intangible assets (Note 13)	**(30,296,198)**	(103,203,509)
Balance at the end of the year	**57,778,145**	58,031,644

12. RIGHT -OF- USE ASSETS AND LEASE LIABILITIES

A)The movement of right -of- use assets during the year are as follows:

	Buildings and land	**Printers**	**Total**
Balance as at January 1, 2021	130,280,870	1,176,719	131,457,589
Additions during the year	9,651,580	-	9,651,580
Depreciation during the year	(32,352,870)	(672,148)	(33,025,018)
Balance as at 31 December 2021	107,579,580	504,571	108,084,151
Adjustment during the year	**(12,577,568)**	**-**	**(12,577,568)**
Additions during the year	**10,678,782**	**-**	**10,678,782**
Disposals during the year	**(735,726)**	**-**	**(735,726)**
Depreciation during the year	**(24,558,246)**	**(504,571)**	**(25,062,817)**
Balance as at December 31, 2022	**80,386,822**	**-**	**80,386,822**

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

	December 31, 2022	December 31, 2021
Cost of revenue	**7,142,817**	14,032,537
General and administrative expenses	**17,920,000**	18,992,481
	25,062,817	33,025,018

All amounts in Saudi Riyals

12. RIGHT -OF- USE ASSETS AND LEASE LIABILITIES (CONTINUED)

B) The lease liability consists of the following:

	December 31, 2022	December 31, 2021
Lease liabilities- non current	71,192,414	87,396,354
Lease liabilities- current	11,572,140	19,432,853
	82,764,554	106,829,207

The following table details the Group's remaining cash accrual of lease liabilities. The schedule is prepared based on the undiscounted cash flows of the lease obligations based on the earliest date on which the group can be required to pay:

	Buildings and land	Total
First year	15,775,056	15,775,056
Second year	6,863,325	6,863,325
Third year	3,712,325	3,712,325
Fourth year	2,753,125	2,753,125
Fifth year	2,794,422	2,794,422
More than five year	75,578,787	75,578,787
	107,477,040	107,477,040

The following are finance costs that were charged to the consolidated statement of profit or loss:

	December 31, 2022	December 31, 2021
Finance cost	5,737,079	1,237,492

All amounts in Saudi Riyals

13. INTANGIBLE ASSETS

	December 31, 2022	December 31, 2021
Cost		
Balance at the beginning of the year	**458,088,090**	345,055,898
Transferred from capital work in progress (Note 11)	**30,296,198**	103,203,509
Additions during the year	**74,422,042**	9,828,683
Balance at the end of the year	**562,806,330**	458,088,090
Accumulated amortization		
Balance at the beginning of the year	**(292,821,363)**	(262,077,426)
Impairment during the year	**(36,384,286)**	-
Amortization during the year	**(53,967,550)**	(30,743,937)
Accumulated amortization at the end of the year	**(383,173,199)**	(292,821,363)
Net Book Value at the end of the year	**179,633,131**	165,266,727

Impairment

As on December 31, 2022, the Group recorded an impairment against four of its internally developed technology platforms, amounted to SR 36 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. Impairment will be classified under cost of revenue if presented by function.

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

	December 31, 2022	December 31, 2021
Cost of revenue	**47,010,076**	29,909,266
General and administrative expenses	**6,957,474**	834,671
	53,967,550	30,743,937

All amounts in Saudi Riyals

14. INVESTMENTS IN ASSOCIATES

Associate company name	*Country of Origin/ place of operations*	Ownership share percentage December 31, 2022	December 31, 2021
Sahel Al Madar Trading Company (A)	Kingdom of Saudi Arabia	**30%**	30%
Smart National Solution Company (B)	Kingdom of Saudi Arabia	**24%**	24%
Al Dal Real Estate Services Company (C)	Kingdom of Saudi Arabia	**30%**	30%

A) Sahel Al Madar Trading Company established under the Saudi Companies Law under Commercial Registration No. 1010586820. The company is engaged in directing goods transport vehicles, freight brokers. The group invested an amount of SR 14 million Saudi riyals divided into SR 60 thousand, representing an equity investment, according to which the group obtained an ownership percentage representing 30% of the company, and an advance payment for future ownership rights in the company representing the remaining amount of SR 13,94 million (Note 15).

B) Smart National Solutions Company Technology established under the Companies Law in Saudi Arabia under Commercial Registration No. 1010463892. The main activities of the company are designing and programming special software, software maintenance and designing web pages. The group invested an amount of SR 4,9 million, divided into SR 49 thousand, representing an equity investment, according to which the group obtained an ownership percentage representing 24% of the company, and an advance payment for future ownership rights in the company representing the remaining SR 4,85 million (Note 15).

C) Al-Dal Real Estate Services Company, a Limited Liability Company registered with Commercial Register No. 1010680496, on Jumada Al-Awwal 29, 1442 AH (corresponding to January 13, 2021), and its headquarters is in Riyadh. The company's main activities are in auctioneers and auction brokers. For all commodities, wholesale online, residential home auctions activities, non-store auctions, brokerage agents' activities, real estate management activities for commission, providing marketing services on behalf of others.

The movement in the balance of investments in associates are as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**3,497,224**	212,556
Additions during the year	**-**	150,000
Share in results of associates	**(1,099,466)**	3,134,668
Balance at the end of the year	**2,397,758**	3,497,224

The share of results of equity accounted investees are as follows:

	December 31, 2022	December 31, 2021
Share of results from Sahel Al Madar Trading Company	**-**	-
Share of results from Smart National Solution Company	**(1,128,483)**	3,134,668
Share of results from Al Dal Real Estate Services Company	**29,017**	-
	(1,099,466)	3,134,668

All amounts in Saudi Riyals

15. OTHER FINANCIAL ASSETS

The group's other financial assets balances consist of:

	December 31, 2022	December 31, 2021
Financial assets at FVTPL		
Money Market Funds (A)	**85,853,919**	491,545,452
Advance payment for future equity (B)	**45,957,634**	16,385,703
	131,811,553	507,931,155
Financial assets at FVTOCI		
Unquoted equity investments (C)	**151,576,757**	103,994,838
	283,388,310	611,925,993
Other financial assets are presented in the statement of financial position as follows:		
Current	**85,853,919**	491,545,452
Non-current	**197,534,391**	120,380,541
	283,388,310	611,925,993

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).

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**611,925,993**	45,444,261
Additions during the year	**127,022,303**	525,941,166
Collected from financial assets	**(446,352,768)**	-
(Losses)/gains financial assets at FVTPL	**(402,085)**	24,694,883
(Losses)/gains financial assets at FVTOCI	**(8,805,133)**	15,845,683
Balance at the end of the year	**283,388,310**	611,925,993

All amounts in Saudi Riyals

16. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2022	December 31, 2021
Government receivables	**928,308,495**	1,224,653,696
Trade receivables	**904,392,219**	693,369,225
	1,832,700,714	1,918,022,921
Expected credit losses provision	**(367,622,511)**	(263,216,898)
	1,465,078,203	1,654,806,023

The Government receivables balance includes related parties balances as at December 31,2022 amounting to SR 29,8 million (2021:SR 45,6 million) as in Note 31.

Account receivable ageing is as follows:

	December 31, 2022		December 31, 2021	
	Government	**Private**	Government	Private
0-90 days	**277,734,067**	**467,398,827**	428,806,570	254,248,034
91-180 days	**42,800,548**	**84,812,999**	68,264,549	110,725,094
181-365 days	**23,250,420**	**102,783,606**	97,877,587	111,680,930
More than 365 days	**584,523,460**	**249,396,787**	629,704,990	216,715,167
	928,308,495	**904,392,219**	1,224,653,696	693,369,225

The movement of expected credit losses provision is as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**263,216,898**	184,545,895
Provision for the year (Note 35-A)	**104,405,613**	79,838,252
Reversal for the year	**-**	(1,167,249)
Balance at the end of the year	**367,622,511**	263,216,898

All amounts in Saudi Riyals

17. CONTRACT ASSETS

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

Contract assets consists of the following:

	December 31, 2022	December 31, 2021
Government contract assets	807,711,945	695,977,283
Trade contract assets	111,954,500	35,268,742
	919,666,445	731,246,025
Expected credit losses provision	(115,204,452)	(70,947,564)
	804,461,993	660,298,461

The government contract assets includes related parties balances as at December 31,2022 amounting to SR48 million (2021: 2,8 million Saudi riyals) as in Note 31.

The movement of expected credit losses is as follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	70,947,564	60,053,590
Formed provision for the year (Note 35-A)	44,256,888	10,893,974
Balance at the end of the year	115,204,452	70,947,564

18. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2022	December 31, 2021
Prepaid expenses	81,951,129	48,990,010
Deferred costs	58,031,098	44,291,639
Letter of guarantee	26,102,849	1,816,195
Accrued murabha deposit income	23,799,051	1,933,161
Employees receivable	21,052,388	18,275,169
Other*	1,776,842	8,014,387
	212,713,357	123,320,561

* The balance of prepaid expenses and other current asset includes related parties balances as at December 31,2022 amounting to Nil (2021: 7,5 million Saudi riyals) as in Note 31.

All amounts in Saudi Riyals

19. MURABHA DEPOSITS

The balance of murabha deposits consists of deposits with a term of more than three months. The average commission is 4.98% annually (2021: 1.4% annually), and the consolidated statement of profit or loss income has been charged with a total deposit income amounting to SR 22,2 million during the year ended December 31, 2022(2021:SR 6,3 million). All murabaha deposits mature within one year.

20. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

	December 31, 2022	December 31, 2021
Cash at banks	**63,190,550**	86,676,813
Short term murabaha deposits *	**525,488,841**	1,275,542,649
	588,679,391	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 5.01% annually (2021:1,4%), and the consolidated statement of profit or loss income has been charged with a total deposit income amounting to SR 15,7 million during the year ended December 31, 2022 (2021:SR 2,7 million).

** The company has a balance of 1,4 billion riyals restricted in its bank accounts, which has not been recorded within the group's assets, as this amount relates to services in which the company links them to technical systems for the purpose of transferring them between the parties benefiting from these services. and the consolidated statement of profit or loss and other comprehensive income has been charged with a total deposit income of SR 3,3 million during the year ended December 31, 2022(2021: Nil).

21. SHARE CAPITAL

The issued and fully paid-up capital consists of 80,000,000 shares with a nominal value of SR 10 per share (2021: 80,000,000 shares with a par value of 10 Saudi riyals per share).

22. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net profit until the reserve equals 30% of the share capital. This reserve is not available for distribution.

23. 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 (Note 24), 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.

All amounts in Saudi Riyals

24. SHARE BASED PAYMENT

Share-Based payment is one of the employee incentive programs which 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. And the expenses related to the program is included in the employee benefits expense item in the consolidated statement of profit or loss, and recording the amount corresponding to the expenses in other reserves in equity, in accordance with the requirements of International Financial Reporting Standard (2): Share- Based Payment.

A) 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	98,100 shares
Settlement method	Equity

The total expenses related to the program for the year ended on December 31, 2022, amounted to SR 17,6 million (for the year ended on December 30, 2021: Nil).

B) long-term future incentive plans program

During the period, the company announced a long-term future incentive plans program for its employees, the details of which are as follows:

Grant date	December, 1 2022
Due date	March, 31 2025
Average fair value of the shares	322 Saudi Riyals
Maximum number of shares granted	162,596 Shares
Settlement method	Equity

The total expenses related to the program for the year ended on December 31, 2022, amounted to SR 1,9 million (for the year ended on December 30, 2021: Nil)

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25. OTHER RESERVES

Other reserves consist of the following:

	December 31, 2022	December 31, 2021
Employees end of service benefits remeasurement		
Opening balance	**(44,984,753)**	(37,970,704)
Remeasurement losses	**(8,376,190)**	(7,014,049)
	(53,360,943)	(44,984,753)
Other financial assets revaluation reserve		
Opening balance	**18,445,302**	2,599,619
(Losses) /Gain of revaluation	**(8,805,133)**	15,845,683
	9,640,169	18,445,302
Share based payment		
Opening balance	**-**	-
Additions	**19,539,887**	-
	19,539,887	-
Balance at the end of the year	**(24,180,887)**	(26,539,451)

26. EARNINGS PER SHARE

Earnings per share for the year has been calculated by dividing net profit for the year by the number of shares outstanding at the end of the year. The calculation of basic and diluted earnings per share is based on the following information:

	December 31, 2022	December 31, 2021
Net profit	**930,189,589**	566,891,419
Number of Shares		
Weighted average number of shares for calculation for basic earnings per share*	**77,903,297**	80,000,000
Weighted average number of shares for repurchased shares (Note 24)	**2,096,703**	-
Weighted average number of shares for calculation for diluted earnings per share	**80,000,000**	80,000,000
EARNINGS PER SHARE:		
Basic	**11.94**	7.09
Diluted	**11.63**	7.09

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

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27. END OF SERVICES BENEFITS PROVISION

	December 31, 2022	December 31, 2021
Financial assumptions:		
Discount rate	**4.5% - 4.55%**	%2.15 - %2.40
Salary increase rate	**4.50% - 7.00%**	%8.00 - %5.00

Employee end of service benefits provision movement in present value:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**263,057,441**	228,121,038
Current service cost	**56,260,945**	45,767,793
Current service financing cost	**6,498,750**	4,836,748
Cost transfer	**-**	(596,174)
Benefits paid	**(26,731,214)**	(22,086,013)
Actuarial losses	**8,376,190**	7,014,049
Balance at the end of the year	**307,462,112**	263,057,441

Following are sensitivity analysis for the actuarial assumptions:

		December 31, 2022		December 31, 2021	
	Rate change	**Increase**	**Decrease**	Increase	Decrease
Discount rate	1%	**(18,443,421)**	**20,875,073**	(22,850,300)	25,726,246
Increase salary rate	1%	**21,265,553**	**(19,147,422)**	26,882,060	(23,469,997)
Employee turnover rate	10%	**(3,947,687)**	**4,335,256**	(3,185,249)	3,450,971

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28. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITES

Accounts payable and other current liabilities are as follows:

	December 31, 2022	December 31, 2021
Income sharing accruals	812,510,288	418,179,490
Contractual cost	364,288,497	411,965,675
Employee accruals	318,359,076	253,325,121
Accounts payable	300,229,346	249,301,715
Incentives & marketing	38,345,939	28,892,316
Value added tax (VAT)	35,396,601	9,084,019
Litigation provision (Note 34)	16,386,478	15,851,258
Retention payable	2,156,491	9,510,414
Dividend Payable	1,986,500	1,986,500
Others	13,742,242	9,357,399
	1,903,401,458	1,407,453,907

29. CONTRACT LIABILITIES

Contract liabilities are as follows:

	December 31, 2022	December 31, 2021
Deferred revenue from subscriptions	261,667,633	235,711,818
Advance from customers	210,595,586	179,049,660
	472,263,219	414,761,478

30. ZAKAT

30-1 Zakat and Tax position

- 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 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.

All amounts in Saudi Riyals

30. ZAKAT (CONTINUED)

30-2 Zakat Base

The Group calculates and records the zakat provision on the zakat base in accordance with the rules and regulations of zakat in the Kingdom of Saudi Arabia the details of which are as follows:

	December 31, 2022	December 31, 2021
Capital at beginning of the year	800,000,000	50,000,000
Additions:		
Retained earnings, reserves and provisions - beginning of the year	1,954,509,071	1,744,306,796
Transferred to capital	-	450,000,000
Provision and reserves	640,908,026	440,960,200
Accounts payable and other liabilities	525,531,570	486,633,252
Net adjusted profit	1,287,803,391	819,513,117
Total adjusted equity	5,208,752,058	3,991,413,365
Disposals:		
Dividends paid	(388,000,000)	-
Purchase of treasury shares	(307,200,000)	-
Net property (adjusted) and investments	(871,229,212)	(796,069,228)
Total adjusted disposals	(1,566,429,212)	(796,069,228)
Zakat base	2,354,519,455	2,375,831,020
Zakat base during the year	3,715,485,880	3,269,169,395
2.5% Zakat from the zakat base during the year	92,887,147	81,729,235

30-3 Zakat Provision

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	103,465,145	65,690,341
Charge during the year	92,729,137	81,729,235
Paid during the year	(57,917,840)	(43,954,431)
Balance at the ending of the year	138,434,452	103,465,145

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31. 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 consolidated financial statements, balances with related parties were unguaranteed. During the year, The Group conducted transactions with the following related parties:

Related Party	Relationship
Public Investment Fund	Shareholder
Senior executive managers	Employees
Board of Directors	Members
Unifonic company	Associate
Smart national Solutions Company	Associate

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 year:

	December 31, 2022	December 31, 2021
Transactions with the shareholder		
Service revenue	**73,979,529**	44,278,595
Purchase of treasury shares	**307,200,000**	-
Dividends paid	**268,000,000**	-
financing payment (A)	**-**	14,624,731
Unifonic company		
Services cost	**41,977,638**	39,717,754
Smart national Solution		
Services cost	**15,928,053**	8,505,614
Transaction with board of directors and senior executive managers		
Salaries and benefit	**20,530,183**	18,417,522
Remunerations and allowances	**22,240,880**	14,849,885
End of service benefits	**3,775,462**	2,307,383

Balances	December 31, 2022	December 31, 2021
Due from related parties		
Due from Shareholder classified under:		
Accounts receivable (Note 16)	**29,826,566**	45,687,465
Contract assets (Note 17)	**47,992,552**	2,827,157
Prepaid expenses and other current assets (Note 18)	**-**	7,557,750
Due to Related Parties-Current		
Unifonic Company	**18,160,192**	12,895,453
Smart National Solution Company	**6,750,717**	1,913,554
	24,910,909	14,809,007

31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

A) Represents an interest-free financing payment agreement between the Public Investment Fund and Tabadul Company "a subsidiary Company", knowing that there is an amount of Nil for the year ending on December 31, 2022 (2021: SR 0,7 million) that appears under the financing expenses item in the consolidated statement of profit or loss concerning the loan, the loan was paid in full during the first half of the year 2021.

32. 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

All amounts in Saudi Riyals

32. SEGMENT INFORMATION (CONTINUED)

The selected financial data for these sectors follows:

	December 31, 2022	December 31, 2021
Revenue		
Digital Business	3,139,716,782	2,102,369,815
Business Process Outsourcing	1,301,376,963	1,635,184,409
Professional Services	165,005,148	90,096,045
	4,606,098,893	3,827,650,269
Cost		
Direct cost	(2,720,238,240)	(2,504,736,757)
Operating expenses (except depreciation and amortization, ECL and Impairment)	(608,143,552)	(502,635,170)
Expected credit loss (ECL)	(148,819,716)	(90,024,719)
Depreciation and amortization	(120,049,688)	(115,655,615)
Impairment of non-current assets	(36,455,686)	-
Other income, net	50,684,725	34,022,646
Zakat	(92,729,137)	(81,729,235)
	(3,675,909,304)	(3,260,758,850)
Net profit	930,189,589	566,891,419

Below is analysis of gross profit by segments:

	December 31, 2022	December 31, 2021
Digital Business	1,456,365,284	792,448,044
Business Process Outsourcing	399,379,038	538,251,203
Professional Services	30,116,331	(7,785,735)
	1,885,860,653	1,322,913,512

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

	December 31, 2022	December 31, 2021
Assets		
Digital Business	4,107,846,122	2,853,008,836
Business Process Outsourcing	1,702,655,584	2,219,017,574
Professional Services	215,884,363	122,264,318
	6,026,386,069	5,194,290,728
Liabilities		
Digital Business	2,030,874,054	1,309,779,607
Business Process Outsourcing	841,774,240	1,018,722,385
Professional Services	106,730,860	56,129,974
	2,979,379,154	2,384,631,966

33. 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 limit of 150 million SR as on December 31, 2022 (December 31, 2021 : 401 million SR). the Group has utilized some of those facilities agreements to issue bank guarantees for it's projects as disclosed in (Note 34).

34. CONTINGENT LIABILTIES

- The Group has outstanding bank letters of guarantee amounting to SAR 97 million as of December 31, 2022 (December 31, 2021: SR 38 million).
- The Group has operating and capital commitments amounting to SR 840 million (December 31, 2021: SR 538 million).
- In the normal course of business, the Group is a party to legal cases either as a plaintiff or defendant. As on December 31, 2022, the Group recorded a provision against legal cases in the amount of SR 16,4 million (December 31, 2021: SAR 15,8 million), which is the best estimate of management. over the provisions of these issues and management does not expect that there will be any additional liability over the amount recorded as a provision for these issues.

35. RISK MANAMGMENT

The Group's activities are exposed to a number of financial risks: market risk (including currency risk, fair value, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out by senior management in accordance with the policies approved by the Board of Directors. The most important types of risk are credit risk, currency risk and fair value risk.

The Board of Directors has overall responsibility for establishing and monitoring The Group's risk management framework. Executive management is responsible for developing and monitoring The Group's risk management policies, and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

The Group Audit Committee oversees how management monitors compliance with The Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by The Group. The internal audit department assists The Group Audit Committee in carrying out its oversight role. the internal audit department performs regular and ad hoc reviews of risk management controls and procedures and the results are reported to the Audit Committee.

A. Credit risk

Credit risk is the risk that The Group will incur financial loss in the event that a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from The Group's receivables from customers as well as employees.

The carrying amounts of accounts receivable, contract assets and employees receivable represent the maximum exposure to credit risk.

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35. RISK MANAMGMENT (CONTINUED)

A. Credit risk (continued)

The movement in the expected credit loss in respect of accounts receivable, contract assets and employee receivables during the year, is are follows:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**335,320,979**	245,296,260
Provision for accounts receivable (Note 16)	**104,405,613**	79,838,252
Provision for contract assets (Note 17)	**44,256,888**	10,893,974
Provision for employee	**157,215**	459,742
Reversal of provision during the year (Note 16)	**-**	(1,167,249)
Balance at the Ending of the year	**484,140,695**	335,320,979

The exposure to credit risk for trade receivables and contract assets by type of customer (governmental or non-governmental) was as follows:

	Account Receivable		Contract Assets	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
Government	**928,308,495**	1,224,653,696	**807,711,945**	695,977,283
Private	**904,392,219**	693,369,225	**111,954,500**	35,268,742
	1,832,700,714	1,918,022,921	**919,666,445**	731,246,025

The following tables present information about exposure to credit risk and expected credit losses for receivables:

Government receivables

	December 31, 2022		December 31, 2021	
	Book value	**ECL**	Book value	ECL
Low risk	**787,071,797**	**540,009**	1,141,476,792	900,959
Loss	**141,236,698**	**141,055,787**	83,176,904	83,176,904
	928,308,495	**141,776,707**	1,224,653,696	84,077,863

Trade Account Receivable

	December 31, 2022		December 31, 2021	
	Book value	**ECL**	Book value	ECL
1-90 days	**467,398,827**	**-**	254,248,034	178,766
91-180 days	**84,812,999**	**2,801,520**	110,725,094	3,479,143
181 - 365 days	**102,783,606**	**16,311,125**	111,680,930	15,811,500
More than 365 days	**249,396,787**	**206,733,159**	216,715,167	159,669,626
	904,392,219	**225,845,804**	693,369,225	179,139,035

All amounts in Saudi Riyals

35. RISK MANAMGMENT (CONTINUED)

A. Credit risk (continued)

The following tables present information about exposure to credit risk and expected credit losses for contract assets:

Government Contract Assets

	December 31, 2022		December 31, 2021	
	Book value	**ECL**	Book value	ECL
Low risk	**708,510,461**	**-**	638,753,630	455,800
Loss	**99,201,484**	**99,201,484**	57,223,653	57,223,653
	807,711,945	**99,201,484**	695,977,283	57,679,453

Trade Contract Assets

	December 31, 2022		December 31, 2021	
	Book value	**ECL**	Book value	ECL
Low risk	**95,951,532**	**-**	22,000,631	-
Loss	**16,002,968**	**16,002,968**	13,268,111	13,268,111
	111,954,500	**16,002,968**	35,268,742	13,268,111

The amount of provision for credit loss also includes provisions related to employee receivables in the amount of SR 1,313,732 as on December 31, 2022 (December 31, 2021: SR 1,156,517).

The Group uses a dedicated matrix for the purpose of calculating expected credit losses for trade receivables, contract assets and employee receivables. This matrix is based initially on historical default rates. The Group calibrates the matrix to adjust the historical experience of credit losses, taking into account the information expected in the future. At the date of each financial report, The Group updates the historical default rates and this is reflected in future estimates, in addition, it calculates additional provisions for specific cases.

Low value financial assets

A financial asset is considered impaired when one or more events that have a negative impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired includes observable data about the following events:

- Significant financial difficulties for the issuer of securities or the lender
- A breach of contract, such as a late payment or default
- The lender(s) granted the borrower, for economic or contractual reasons related to the borrower's financial difficulty, a privilege(s) that the lender would not consider.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset due to financial difficulties.

Definition of default

The Group considers the following to be default events, for the purpose of managing credit risk internally because past experience indicates that receivables that meet any of the following criteria are generally unrecoverable.

• when there is a non-compliance with the financial commitments of the counterparty; or

• Information prepared internally or obtained from external sources indicates that the debtor is unlikely to pay its debt (without regard to any collateral held by The Group).

All amounts in Saudi Riyals

35. RISK MANAMGMENT (CONTINUED)

A. Credit risk (continued)

write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial distress and there is no realistic prospect of recovery. For example: when the counterparty is under liquidation or has entered into bankruptcy proceedings. Written-off financial assets may continue to be subject to enforcement activities under The Group's recovery procedures, subject to legal advice where appropriate. Any recoveries are recognized in the consolidated statement of profit or loss.

B. Liquidity risk

Liquidity risk represents The Group's inability to meet its financial obligations as they fall due. The Group minimizes liquidity risk by ensuring that the necessary liquidity is always available. Except for the obligation to purchase property and lease obligations, all other financial liabilities are expected to be settled in the following 12 months.

The Group ensures that it has sufficient cash on demand to meet the expected operating expenses, including servicing its financial obligations, and this does not include the potential impact of emergency conditions that cannot be reasonably foreseen such as natural disasters. In addition, The Group maintains various lines of credit.

The Group monitors the risk of shortfall in liquidity using forecast models to determine the effects of operating activities on the overall availability of liquidity. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of revolving credit facilities and other sources of liquidity if needed.

The table below summarizes the maturities of The Group's financial liabilities based on undiscounted contractual payments:

	December 31, 2022			
	Within one year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Accounts Payable and other current liabilities	**1,060,762,450**	**-**	**-**	**1,060,762,450**
liabilities of purchasing property	**26,062,795**	**26,062,795**	**-**	**52,125,590**
Due to related parties	**24,910,909**	**-**	**-**	**24,910,909**
Lease liabilities	**15,775,056**	**16,123,197**	**75,578,787**	**107,477,040**
	1,127,511,210	**42,185,992**	**75,578,787**	**1,245,275,989**

	December 31, 2021			
	Within one year	Between 1 and 5 years	More than 5 years	Total
Accounts Payable and other current liabilities	964,065,760	-	-	964,065,760
liabilities of purchasing property	26,062,795	52,125,590	-	78,188,385
Due to related parties	14,809,007	-	-	14,809,007
Lease liabilities	20,507,495	23,798,954	79,749,772	124,056,221
	1,025,445,057	75,924,544	79,749,772	1,181,119,373

35. RISK MANAMGMENT (CONTINUED)

C- Credit risk

Managing the risks of fluctuation in currency exchange rates

Currency risk is the risk that a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Group did not carry out significant transactions in foreign currencies except the US dollar, the British pound and the Euro during the year. The Group was not exposed to the risks of fluctuation in currency exchange rates during the period, and the management does not expect that The Group will be subject in the future to transactions related to these risks substantially.

interest rate risk

It is the exposure to various risks associated with the impact of fluctuations in the prevailing interest rates on the financial position and cash flows of The Group. The Group's interest rate risk arises from bank deposits, short term bank debt and long term debt which are at floating interest rates. All debts and deposits are subject to regular re-pricing. Management monitors changes in interest rates and believes that the fair value and cash flow interest rate risks are not significant to The Group.

Interest Rate Sensitivity Analysis

For rate deposits, the analysis is prepared assuming that the amount of the deposit outstanding at the end of the reporting period was due throughout the year. An increase or decrease of 50 basis points represents management's assessment of a reasonable possible change in interest rates.

On December 31, 2022, if the rate group’s short-term deposit rates were 50 basis points higher/lower with all other variables held constant, the profit for the year would be SR 12,6 million higher/lower, as a primary result of higher interest income/ Low on variable rate deposits (2021: SR6,8 million).

D - Capital management

The Group's objective when managing capital is to protect The Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; And to maintain a strong capital base to support the sustainable development of its business.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below shows the book values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value. If the book value reasonably approximates the fair value, there was no during the year Reclassification of financial assets measured at fair value through the hierarchy of fair value levels:

All amounts in Saudi Riyals

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2022						
	Book value			Fair value			
	At fair value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	283,388,310	-	283,388,310	-	85,853,919	197,534,391	283,388,310
Trade receivables	-	1,465,078,203	1,465,078,203	-	-	-	1,465,078,203
Prepaid expenses and other current assets	-	15,324,785	15,324,785	-	-	-	15,324,785
Murabha deposits	-	1,998,369,994	1,998,369,994	-	-	-	1,998,369,994
Cash and cash equivalents	-	588,679,391	588,679,391	-	-	-	588,679,391
Total	283,388,310	4,067,452,373	4,350,840,683	-	85,853,919	197,534,391	4,350,840,683
Financial liabilities							
Accounts payable and other current liabilities	-	1,903,401,458	1,903,401,458	-	-	-	1,903,401,458
Due to related parties	-	24,910,909	24,910,909	-	-	-	24,910,909
liabilities of purchasing property	-	50,142,450	50,142,450	-	-	-	50,142,450
Lease liabilities	-	82,764,554	82,764,554	-	-	-	82,764,554
Total	-	2,061,219,371	2,061,219,371	-	-	-	2,061,219,371

All amounts in Saudi Riyals

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2021						
	Book value			Fair value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	611,925,993	-	611,925,993	-	491,545,452	120,380,541	611,925,993
Trade receivables	-	1,654,806,023	1,654,806,023	-	-	-	1,654,806,023
Prepaid expenses and other current assets	-	27,766,080	27,766,080	-	-	-	27,766,080
Murabha deposits	-	100,280,000	100,280,000	-	-	-	100,280,000
Cash and cash equivalents	-	1,362,219,462	1,362,219,462	-	-	-	1,362,219,462
Total	611,925,993	3,145,071,565	3,756,997,558	-	491,545,452	120,380,541	3,756,997,558
Financial liabilities							
Accounts payable and other current liabilities	-	1,407,453,907	1,407,453,907	-	-	-	1,407,453,907
Due to related parties	-	14,809,007	14,809,007	-	-	-	14,809,007
liabilities of purchasing property	-	74,255,781	74,255,781	-	-	-	74,255,781
Lease liabilities	-	106,829,207	106,829,207	-	-	-	106,829,207
Total	-	1,603,347,902	1,603,347,902	-	-	-	1,603,347,902

All amounts in Saudi Riyals

37. COMPARATIVE FIGURES

Reclassification

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

A) Consolidated statement of profit or loss

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

	December 31, 2021	Reclassification	**Balance after reclassification**
Cost of revenue	2,632,253,440	(127,516,683)	**2,504,736,757**
Selling and marketing	105,978,567	90,704,523	**196,683,090**
General and administrative	269,139,920	36,812,160	**305,952,080**
	3,007,371,927	-	**3,007,371,927**

B) Consolidated statement of financial position

The Group reclassified some items of consolidated statement of financial position and the details are as follows:

	December 31, 2021	Reclassification	**Balance after reclassification**
Accounts payable	249,301,715	(249,301,715)	**-**
Accrued expenses and other current liabilities	1,335,215,352	(1,335,215,352)	**-**
Accounts payable and other current liabilities	-	1,407,453,907	**1,407,453,907**
Contract liabilities	235,711,818	179,049,660	**414,761,478**
Due to related parties	16,795,507	(1,986,500)	**14,809,007**
	1,837,024,392	-	**1,837,024,392**

38. DIVIDENDS

- Dividends for the year ended December 31, 2021

During its meeting held on Shawwal 8, 1443 AH 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 paid.

- Dividends for the year ended December 31, 2022

During Board of Directors meeting held on Rabi' Al-Awwal 24, 1444 AH 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 AH 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.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on sha'ban 10, 1444AH (corresponding to March 2, 2023).