**ELM COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**CONSOLIDATED FINANCIAL STATEMENTS**
**AND INDEPENDENT AUDITOR'S REPORT**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

| INDEX | PAGE |
|---|---|

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Elm Company**
(A 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 2023, 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 material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued 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 requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

## 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 of the current year. 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.

| **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 5.9 billion for the year ended 31 December 2023.<br><br>We considered this a key audit matter due to the audit of revenue 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 \15 “Revenue 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 revenue on a gross or net basis. | Our procedures included the following:<br>• 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.<br>• 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.<br>• We traced a sample of digital business revenue with collected amounts in the Group’s bank statements.<br>• We tested a sample of transactions recorded before and after the year end to ensure that revenues were recorded in the appropriate period.<br>• We audit those judgments taken by management to assess whether the Group is a principal or agent for a sample of the contracts.<br>• 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) | |

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

| 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 2023, the Group's accounts receivable and contract assets balance amounted to SR 3.7 billion, against which an impairment allowance of SR 572 million is maintained.<br><br>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.<br><br>The determination of allowance for expected credit losses is based on certain assumptions that relates 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.<br><br>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:<br>• 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.<br>• 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.<br>• We tested the completeness and mathematical accuracy of the ECL model.<br>• 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.<br>• 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.<br>• 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 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.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

**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 Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and 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 Board of Directors are 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 for 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

- 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 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, actions taken to eliminate threats or safeguards applied.

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 BDO 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: 29 Sha'ban 1445 (H)
Corresponding to: 10 March 2024 (G)

ELM COMPANY
(A SAUDI JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED DECEMBER 31, 2023
All amounts in Saudi Riyals

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Revenues | 5 | **5,898,362,840** | 4,606,098,893 |
| Cost of revenues | 6 | **(3,547,310,230)** | (2,720,238,240) |
| **GROSS PROFIT** | | **2,351,052,610** | 1,885,860,653 |
| **EXPENSES** | | | |
| Selling and marketing | 7 | **(277,027,209)** | (235,185,339) |
| Expected credit losses | 35-A | **(91,770,357)** | (148,819,716) |
| General and administrative | 8 | **(475,801,109)** | (372,958,213) |
| Depreciation and amortization | 10,12,13 | **(149,951,571)** | (120,049,688) |
| Impairment of non-current assets | 10,11,13 | **(5,918,692)** | (36,455,686) |
| **OPERATING PROFIT** | | **1,350,583,672** | 972,392,011 |
| Finance cost | 10,12 | **(5,861,229)** | (7,943,568) |
| Income from murabaha deposits | 19,20 | **127,856,085** | 41,227,288 |
| Share in results from investments in associates | 14 | **(11,946,369)** | (1,099,466) |
| Loss at fair value of financial assets through profit or loss | 14,15 | **(15,968,640)** | (402,085) |
| Other income, net | 9 | **28,588,884** | 18,902,556 |
| **NET PROFIT BRFORE ZAKAT** | | **1,473,252,403** | 1,023,076,736 |
| Zakat | 30 | **(117,057,649)** | (92,887,147) |
| **NET PROFIT** | | **1,356,194,754** | 930,189,589 |
| ***Net profit attributable to:*** | | | |
| Equity holders of the parent Company | | **1,356,230,754** | 930,189,589 |
| Non-controlling interests | | **(36,000)** | - |
| | | **1,356,194,754** | 930,189,589 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Change in fair value of financial assets through other comprehensive income | 15 | **26,381,472** | (8,805,133) |
| Re-measurement of end of service benefits provision | 27 | **(5,463,042)** | (8,376,190) |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **20,918,430** | (17,181,323) |
| **TOTAL COMPREHENSIVE INCOME** | | **1,377,113,184** | 913,008,266 |
| ***Total comprehensive income attributable to:*** | | | |
| Equity holders of the parent Company | | **1,377,149,184** | 913,008,266 |
| Non-controlling interests | | **(36,000)** | - |
| | | **1,377,113,184** | 913,008,266 |
| **Earnings per share from net profit attributable to equity holders of the parent company :** | | | |
| Basic | 26 | **17.46** | 11.94 |
| Diluted | 26 | **16.95** | 11.63 |

Chief Financial Officer　　Chief Executive Officer　　Chairman

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2023
### All amounts in Saudi Riyals

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON–CURRENT ASSETS** | | | |
| Property and equipment | 10 | **375,183,246** | 353,498,965 |
| Capital work in progress | 11 | **119,813,847** | 57,778,145 |
| Right-of-use assets | 12 | **230,798,737** | 80,386,822 |
| Intangible assets | 13 | **174,646,541** | 179,633,131 |
| Investments in associates | 14 | **2,137,153** | 18,383,057 |
| Other financial assets | 15 | **227,906,324** | 181,549,092 |
| **TOTAL NON–CURRENT ASSETS** | | **1,130,485,848** | 871,229,212 |
| **CURRENT ASSETS** | | | |
| Accounts receivable | 16 | **2,322,353,701** | 1,465,078,203 |
| Contract assets | 17 | **847,625,684** | 804,461,993 |
| Prepaid expenses and other current assets | 18 | **337,441,825** | 212,713,357 |
| Other financial assets | 15 | **18,797,335** | 85,853,919 |
| Murabaha deposits | 19 | **3,056,113,638** | 1,998,369,994 |
| Cash and cash equivalents | 20 | **384,394,607** | 588,679,391 |
| **TOTAL CURRENT ASSETS** | | **6,966,726,790** | 5,155,156,857 |
| **TOTAL ASSETS** | | **8,097,212,638** | 6,026,386,069 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 21 | **800,000,000** | 800,000,000 |
| Statutory reserve | 22 | **174,708,101** | 174,708,101 |
| Treasury shares | 23 | **(294,758,400)** | (307,200,000) |
| Other reserves | 25 | **12,826,478** | (24,180,887) |
| Retained earnings | | **3,301,731,675** | 2,403,679,701 |
| **Equity attributable to equity holders of the parent Company** | | **3,994,507,854** | 3,047,006,915 |
| Non-controlling interest | | **164,000** | - |
| **TOTAL EQUITY** | | **3,994,671,854** | 3,047,006,915 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Liabilities for purchasing property | 10 | **-** | 25,396,063 |
| Lease liabilities | 12 | **212,090,689** | 71,192,414 |
| End of service benefits provision | 27 | **360,689,127** | 307,462,112 |
| **TOTAL NON-CURRENT LIABILITIES** | | **572,779,816** | 404,050,589 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable and other current liabilities | 28 | **2,805,055,424** | 1,928,312,367 |
| Contract liabilities | 29 | **503,707,390** | 472,263,219 |
| Zakat | 30 | **183,613,319** | 138,434,452 |
| Liabilities of purchasing property | 10 | **25,396,063** | 24,746,387 |
| Lease liabilities | 12 | **11,988,772** | 11,572,140 |
| **TOTAL CURRENT LIABILITIES** | | **3,529,760,968** | 2,575,328,565 |
| **TOTAL LIABILITIES** | | **4,102,540,784** | 2,979,379,154 |
| **TOTAL EQUITY AND LIABILITIES** | | **8,097,212,638** | 6,026,386,069 |

| 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 CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2023
All amounts in Saudi Riyals

| | | Equity attributable to the equity holders of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Treasury shares | Statutory reserve | Other reserves | Retained earnings | Total | Non -controlling interest | Total equity |
| **Balance as at January 1, 2022** | | 800,000,000 | - | 81,689,142 | (26,539,451) | 1,954,509,071 | 2,809,658,762 | - | 2,809,658,762 |
| Net profit | | - | - | - | - | 930,189,589 | 930,189,589 | - | 930,189,589 |
| Other comprehensive income | | - | - | - | (17,181,323) | - | (17,181,323) | - | (17,181,323) |
| **Total comprehensive income** | | - | - | - | (17,181,323) | 930,189,589 | 913,008,266 | - | 913,008,266 |
| Purchase of treasury shares | | - | (307,200,000) | - | - | - | (307,200,000) | - | (307,200,000) |
| Dividends | | - | - | - | - | (388,000,000) | (388,000,000) | - | (388,000,000) |
| Share-based payment transactions | | - | - | - | 19,539,887 | - | 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 | - | 3,047,006,915 |
| **Balance as at January 1, 2023** | | **800,000,000** | **(307,200,000)** | **174,708,101** | **(24,180,887)** | **2,403,679,701** | **3,047,006,915** | **-** | **3,047,006,915** |
| Net profit | | **-** | **-** | **-** | **-** | **1,356,230,754** | **1,356,230,754** | **(36,000)** | **1,356,194,754** |
| Other comprehensive income | | **-** | **-** | **-** | **20,918,430** | **-** | **20,918,430** | **-** | **20,918,430** |
| **Total comprehensive income** | | **-** | **-** | **-** | **20,918,430** | **1,356,230,754** | **1,377,149,184** | **(36,000)** | **1,377,113,184** |
| Treasury shares settlement | 23,24 | **-** | **12,441,600** | **-** | **(20,446,020)** | **8,004,420** | **-** | **-** | **-** |
| Share-based payment transactions | 24 | **-** | **-** | **-** | **36,534,955** | **-** | **36,534,955** | **-** | **36,534,955** |
| Dividends | 38 | **-** | **-** | **-** | **-** | **(466,183,200)** | **(466,183,200)** | **-** | **(466,183,200)** |
| Transactions with non-controlling interests | | **-** | **-** | **-** | **-** | **-** | **-** | **200,000** | **200,000** |
| **Balance as at December 31, 2023** | | **800,000,000** | **(294,758,400)** | **174,708,101** | **12,826,478** | **3,301,731,675** | **3,994,507,854** | **164,000** | **3,994,671,854** |

Chief Financial Officer

Chief Executive Officer

Chairman

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

## CONSOLIDATED STATEMENT OF CAHS FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2023
**All amounts in Saudi Riyals**

| | Notes | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit before zakat | | **1,473,252,403** | 1,023,076,736 |
| *Adjustments for non-cash items:* | | | |
| Depreciation and amortization | 10,12,13 | **149,951,571** | 120,049,688 |
| Impairment of non-current assets | 10,11,13 | **5,918,692** | 36,455,686 |
| Expected credit losses | 35-A | **91,770,357** | 148,819,716 |
| End of service benefits provision | 27 | **67,760,770** | 62,759,695 |
| Share based payment transactions | 24 | **36,534,955** | 19,539,887 |
| Finance cost | 10,12 | **5,861,229** | 7,943,568 |
| Income from murabaha deposits | 19,20 | **(127,856,085)** | (41,227,288) |
| Share in results from investments in associates | 14 | **11,946,369** | 1,099,466 |
| Loss at fair value of financial assets through profit or loss | 14,15 | **15,968,640** | 402,085 |
| Other income, net | 9 | **51,497** | (8,006,898) |
| | | **1,731,160,398** | 1,370,912,341 |
| *Working capital adjustments:* | | | |
| Accounts receivable | 16 | **(933,306,211)** | 85,322,207 |
| Contract assets | 17 | **(56,820,705)** | (188,420,420) |
| Prepaid expenses and other current assets | 18 | **(89,379,560)** | (68,167,359) |
| Accounts payable and other current liabilities | 28 | **877,039,462** | 514,084,454 |
| Contract liabilities | 29 | **31,444,171** | 57,501,741 |
| **Cash from operations** | | **1,560,137,555** | 1,771,232,964 |
| Zakat paid | 30 | **(71,878,782)** | (57,917,840) |
| Proceeds from income from murabaha deposits | | **90,360,772** | 19,587,610 |
| End of service benefits paid | 27 | **(19,996,797)** | (26,731,214) |
| **Net cash generated from operating activities** | | **1,558,622,748** | 1,706,171,520 |
| **INVESTING ACTIVITIES** | | | |
| Murabaha deposits | 19 | **(1,057,743,644)** | (1,898,089,994) |
| Purchase of property, equipment and intangible assets | 10,13 | **(92,838,585)** | (111,536,688) |
| Proceeds from sale of property and equipment | 10 | **390,108** | 1,170,162 |
| Proceeds from other financial assets | 15 | **467,929,663** | 446,352,768 |
| Proceeds from investments in associates | 14 | **150,000** | - |
| Investments in other financial assets | 14,15 | **(432,696,961)** | (127,022,303) |
| Payments for capital works in progress | 11 | **(115,757,975)** | (42,155,522) |
| **Net cash used in investing activities** | | **(1,230,567,394)** | (1,731,281,577) |
| **FINANCING ACTIVITIES** | | | |
| Payment of lease liabilities | 12 | **(39,484,748)** | (26,382,665) |
| Purchase of treasury shares | 23 | **-** | (307,200,000) |
| Payment of liabilities for purchasing property | 10 | **(24,746,387)** | (24,113,331) |
| Finance costs paid | 10 ,12 | **(1,925,803)** | (2,734,018) |
| Dividends paid | 38 | **(466,183,200)** | (388,000,000) |
| **Net cash used in financing activities** | | **(532,340,138)** | (748,430,014) |
| **Net decrease in cash and cash equivalents** | | **(204,284,784)** | (773,540,071) |
| Cash and cash equivalents at the beginning of the year | 20 | **588,679,391** | 1,362,219,462 |
| **Cash and cash equivalents at the end of the year** | | **384,394,607** | 588,679,391 |

ابراهيم

Chief Financial Officer    Chief Executive Officer    Chairman

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

All amounts in Saudi Riyals

## 1. INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

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 AH (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. 4030446307 dated Jumada Al-Thani 12, 1443 AH (corresponding to December 16, 2021), in Jeddah.

**Subsidiaries**

The company subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Effective shareholding percentage | |
|---|---|---|---|
| | | **December 31, 2023** | December 31, 2022 |
| Saudi Information Exchange Company | Kingdom of Saudi Arabia | **100%** | 100% |
| Emdad Al Khebrat Company Limited | Kingdom of Saudi Arabia | **100%** | 100% |
| Elm Technical Investment Company | Kingdom of Saudi Arabia | **100%** | 100% |
| Future Resources Company Limited | Kingdom of Saudi Arabia | **100%** | 100% |
| Asdam Digital Company | United Arab Emirates | **100%** | 100% |
| Elm Arkan Company | Kingdom of Saudi Arabia | **60%** | 60% |
| Elm Europe Limited | United kingdom | **100%** | 100% |
| Umrah Company for Specialized Services | Kingdom of Saudi Arabia | **100%** | 100% |

1. Saudi Information Exchange Company, a limited liability company registered with commercial register number 1010274503 and its 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.
2. 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). And its headquarter is in Riyadh. The principal activity of the 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.

1. **INFORMATION ABOUT THE COMPANY AND IT SUBSIDIARIES** (CONTINUED)

**Subsidiaries** (continued)

3. Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010599252 on Ramadan 11, 1440 AH (corresponding to May 16, 2019). And its headquartered is in Riyadh. The main activities of the Company are 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.
4. 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 main activities of the Company are systems analysis, design and programming of special software, maintenance of software and web page design, investment activities for the special account of the concerned units, including venture capital companies, investment clubs, and providing of senior management consulting services.
5. Asdam Digital Company, a free zone limited liability Company 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. The main activities of the Company are consulting services, customer service, developing and providing solutions, and supporting service providers for technical systems.
6. Elm Arkan Company, a Limited Liability Company Registered under commercial registration number 1010209530, dated Rabi' Thani 15, 1426 AH (corresponding to May 23, 2005), headquartered in Riyadh. The Company's main activities are 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.
7. Elm Europe Limited, a private Limited Company, registered under commercial Registration number 14554402, dated Jumada al-awwal 28,1444 AH (corresponding to December 22, 2022), headquartered in London. The main activities of the Company are conducting research and development activities related to emerging technologies.
8. 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). And it's headquarter is in Riyadh. The principal activities of the Company are 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 and its subsidiaries mentioned above are referred to collectively as the “Group” in these consolidated financial statements.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance and basis of preperation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 year 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 as"the Group").

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

The results of subsidiaries acquired or excluded during the year are included in the 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, assets, liabilities and equities, revenue, expenses, and cash flows related to group transactions 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.

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 the 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; and
- Long-term interest (advances payment for future equity shares) in associate companies, where they are measured at fair value through profit or loss.
- Share-based payment 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. BASIS OF PREPARATION (CONTINUED)

### 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.

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.

## 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)

*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 is 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.

*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. 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.

## 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 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.

*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. Significant judgment is required when setting the criteria for which yield curve is derived. this includes government premium risk and identifying changes to be eliminated.

*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.

The Group also utilizes a dedicated matrix for the purpose of calculating the present value of money for government receivables, through which it estimates the expected collection date by applying certain assumptions and inputs such as historical collection experience per client.

Expected credit losses are recognized in the consolidated statement of profit or loss. The difference between the amounts 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.

## 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 measure revenue*

The Group estimates revenue based on 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 these 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 liabilties are classified as "non-current".

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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. 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 the consolidated statement of changes 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 recognize 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 recognized directly in the equity of the associate, the Group recognizes 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 recognizing its share of further losses.

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

Unrealized gains or losses resulting from transactions between the Group and the associate company are excluded to the extent of the Group's ownership share in the associate company.

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 can be 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 can be 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. exchange 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 initially measured at cost. The cost of intangible assets acquired in the acquisition of entities represents the fair value at the date of acquisition. After initial recognition, intangible assets are recorded 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 a 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 , platforms , Licenses and patents are recorded at cost, less accumulated amortization, and accumulated impairment losses. Historical cost includes the expenses directly related to purchasing items.

Projects under development related to intangible assets are presented within the capital work-in-progress item in the financial position until the asset is ready for its intended use. It is then transferred to the relevant intangible assets category. The cost primarily includes software license fees and developer salaries.

Amortization is charged to the consolidated statement of profit or loss using the straight-line method over the estimated useful lives, and may be charged against the related assets if it represents a portion of their costs

Computer software, electronic systems, and licenses are amortized over a period of 5 years unless they have an indefinite useful life. Patents are amortized based on the term of the issued certificate.

### 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, and murabaha 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 Murabaha deposits

Long-term murabaha 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 consolidated 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 reporting 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 amortized cost;
- Financial asset at Fair value through Profit or loss ("FVTPL"); and
- Financial asset at fair value through other comprehensive income ("FVOCI").

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 amortized cost

A financial asset is measured at amortized 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 amortized 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 amortized 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 into three categories:

Financial asset at amortized cost

*-Debt Instruments*

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gain and losses are recognized in profit or loss when the asset is derecognized, 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 (Note 3.16, Paragraph A.4).

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-recognized 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 recognized 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 realized 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 ("FVTPL"); and
- Other financial liabilities measured at amortized cost using the effective interest method ("EIR") method.

The category of financial liability at FVTPL 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 recognized 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 amortized cost using the EIR method. Gain or loss are recognized in the consolidated statement of profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.

Amortized 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 amortization 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-recognized 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 recognizes 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 recognized, 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 recognizes 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 recognized 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 zakat provision based on the zakat base in its consolidated financial statements in accordance with Zakat, Tax, and Customs Authority ("ZATCA") regulations 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 case of 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 cancellation of the program, the process 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 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 January 1, 2023 (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 IAS 8

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

- Amendments to IAS 12 Deferred tax related 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.

**B, New and amended IFRSs not yet effective**

- Amendments to IFRS 16 - Lease liabilities in Sale and Leaseback Transactions

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how a Company accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on the index or rate that is highly likely to be affected.

- Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current

These amendments explain how compliance with the conditions with which a Company must comply during the twelve months after the reporting period affects the classification of liabilities. These amendments also aim to improve the information provided by the Company regarding the liabilities subject to these conditions.

- Amendments to IAS 7 and IFRS 7. Supplier financing arrangements
- Amendments to IAS 27. Non-convertibility

All amounts in Saudi Riyals

## 5. REVENUE

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Digital business | **4,254,973,267** | 3,151,784,457 |
| Business process outsourcing | **1,478,990,609** | 1,301,376,963 |
| Professional services | **164,398,964** | 152,937,473 |
| | **5,898,362,840** | 4,606,098,893 |

Revenue sources:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Revenue from private parties | **3,775,264,378** | 2,655,220,084 |
| Revenue from government agencies | **2,123,098,462** | 1,950,878,809 |
| | **5,898,362,840** | 4,606,098,893 |

*The amounts above include transactions with related parties (Note 31).

Revenue recognition time:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| At a point in time | **4,231,277,288** | 3,495,512,431 |
| Over a period of time | **1,667,085,552** | 1,110,586,462 |
| | **5,898,362,840** | 4,606,098,893 |

## 6. COST OF REVENUE

Cost of revenue is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Direct costs | **1,949,474,399** | 1,437,414,287 |
| Salaries and employee benefits | **1,597,835,831** | 1,282,823,953 |
| | **3,547,310,230** | 2,720,238,240 |

*The amounts above include transactions with related parties (Note 31).

All amounts in Saudi Riyals

## 7. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Salaries and employee benefits | 170,502,084 | 157,756,293 |
| Partnerships sales commission | 39,267,220 | 40,579,335 |
| Advertising and exhibitions | 38,636,504 | 18,984,476 |
| Bank commission costs and invoice fees | 16,694,688 | 11,670,807 |
| Public relations | 7,653,034 | 4,010,176 |
| Other expenses | 4,273,679 | 2,184,252 |
| | 277,027,209 | 235,185,339 |

## 8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Salaries and employee benefits | 369,049,905 | 300,130,870 |
| Consulting and professional services | 25,957,077 | 14,519,508 |
| Subscriptions and memberships | 19,076,194 | 12,252,915 |
| Hospitality and activities | 18,729,810 | 12,161,738 |
| Contractor expenses | 14,663,305 | 10,777,122 |
| Utilities and communications | 4,085,224 | 2,078,543 |
| Repair and maintenance expenses | 3,109,318 | 4,289,882 |
| Other expenses | 21,130,276 | 16,747,635 |
| | 475,801,109 | 372,958,213 |

## 9. OTHER INCOME, NET

Other income are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Income from Call Accounts | 17,157,199 | 335,377 |
| Funds received from HRDF to support Saudization | 13,137,385 | 11,617,797 |
| Reversal of retention payable | - | 8,035,001 |
| Donations | (1,000,000) | (1,000,000) |
| Foreign exchange losses | (728,890) | (529,472) |
| Others | 23,190 | 443,853 |
| | 28,588,884 | 18,902,556 |

**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, 2022** | 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 (Note 11) | - | - | 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 |
| Additions during the year | **-** | **2,170,482** | **62,604,191** | **1,318,819** | **1,317,274** | **6,360,128** | **73,770,894** |
| Disposals during the year | **-** | **-** | **(856,309)** | **(10,933)** | **(11,182,006)** | **(2,449,840)** | **(14,499,088)** |
| **Balance as at December 31, 2023** | **33,760,000** | **295,769,059** | **223,062,132** | **45,682,252** | **104,309,011** | **20,834,520** | **723,416,974** |
| Accumulated depreciation and impairment | | | | | | | |
| **Balance as at January 1, 2022** | - | 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 |
| Depreciation during the year | **-** | **9,062,507** | **34,014,909** | **1,870,674** | **2,040,535** | **4,388,994** | **51,377,619** |
| Disposals during the year | **-** | **-** | **(800,385)** | **(10,537)** | **(11,023,333)** | **(1,955,839)** | **(13,790,094)** |
| **Balance as at December 31, 2023** | **-** | **58,060,661** | **138,474,962** | **42,523,716** | **100,517,571** | **8,656,818** | **348,233,728** |
| **Net book value:** | | | | | | | |
| **As at December 31, 2023** | **33,760,000** | **237,708,398** | **84,587,170** | **3,158,536** | **3,791,440** | **12,177,702** | **375,183,246** |
| 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 |

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, 2023 | December 31, 2022 |
|---|---|---|
| Cost of revenue | **33,588,158** | 16,671,105 |
| General and administrative expenses | **16,927,281** | 23,575,603 |
| Selling and marketing expenses | **862,180** | 772,613 |
| | **51,377,619** | 41,019,321 |

(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 are presented in the consolidated statement of the financial position as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Liabilities for purchasing a property - non current | **-** | 25,396,063 |
| Liabilities for purchasing a property – current | **25,396,063** | 24,746,387 |
| | **25,396,063** | 50,142,450 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Finance cost | **1,580,181** | 2,206,489 |

The following is the payment schedule based on the undiscounted cash flows due over the subsequent years:

| Year | Value |
|---|---|
| First year | 26,062,795 |
| | 26,062,795 |

All amounts in Saudi Riyals

## 11. CAPITAL WORK IN PROGRESS

Capital work in progress consists of platforms, electronic systems, and improvements to rented buildings. The movement of capital work in progress is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | **57,778,145** | 58,031,644 |
| Additions | **115,757,975** | 42,155,522 |
| Transferred to property and equipment (Note 10) | **-** | (12,112,823) |
| Transferred to intangible assets (Note 13) | **(53,313,932)** | (30,296,198) |
| Impairment during the year (A) | **(408,341)** | - |
| **Balance at the end of the year** | **119,813,847** | 57,778,145 |

A) Impairment

As on December 31, 2023, the Group recorded an impairment against its internally developed work in progress, amounted to SR 0.4 million (December 31, 2022: Nil). 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.

## 12. RIGHT -OF- USE ASSETS AND LEASE LIABILITIES

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

| | Buildings and land | Printers | Total |
|---|---|---|---|
| Balance as at January 1, 2022 | 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 31 December 2022** | 80,386,822 | - | 80,386,822 |
| Additions during the year | **180,132,179** | **1,208,070** | **181,340,249** |
| Disposals during the year | **(4,212,244)** | **-** | **(4,212,244)** |
| Depreciation during the year | **(26,439,723)** | **(276,367)** | **(26,716,090)** |
| **Balance as at December 31, 2023** | **229,867,034** | **931,703** | **230,798,737** |

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, 2023 | December 31, 2022 |
|---|---|---|
| Cost of revenue | **10,252,843** | 7,142,817 |
| General and administrative expenses | **16,463,247** | 17,920,000 |
| | **26,716,090** | 25,062,817 |

All amounts in Saudi Riyals

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

The lease liability consists of the following:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Lease liabilities- non current | **212,090,689** | 71,192,414 |
| Lease liabilities- current | **11,988,772** | 11,572,140 |
| | **224,079,461** | 82,764,554 |

The following table outlines the remaining cash obligations of the company for lease contracts. The table has been prepared based on the undiscounted cash flows for lease obligations as of the nearest date the group can be required to make payment:

| | Buildings and land | Printers | **Total** |
|---|---|---|---|
| First year | 42,761,092 | 466,278 | **43,227,370** |
| Second year | 35,173,469 | 336,000 | **35,509,469** |
| Third year | 22,632,318 | 336,000 | **22,968,318** |
| Fourth year | 21,903,426 | 37,722 | **21,941,148** |
| Fifth year | 15,577,200 | - | **15,577,200** |
| More than five year | 98,308,800 | - | **98,308,800** |
| | 236,356,305 | 1,176,000 | **237,532,305** |

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Finance cost | **4,281,048** | 5,737,079 |

## 13. INTANGIBLE ASSETS

Intangible assets consist of electronic platforms and systems, licenses and patents. The movement during the year is as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| **Cost** | | |
| Balance at the beginning of the year | **562,806,330** | 458,088,090 |
| Transferred from capital work in progress (Note 11) | **53,313,932** | 30,296,198 |
| Additions during the year | **19,067,691** | 74,422,042 |
| Disposals during the year | **(1,615,974)** | - |
| **Balance at the end of the year** | **633,571,979** | 562,806,330 |
| **Accumulated amortization** | | |
| Balance at the beginning of the year | **(383,173,199)** | (292,821,363) |
| Impairment during the year (A) | **(5,510,351)** | (36,384,286) |
| Amortization during the year | **(71,857,862)** | (53,967,550) |
| Disposals during the year | **1,615,974** | - |
| **Accumulated amortization at the end of the year** | **(458,925,438)** | (383,173,199) |
| **Net Book Value at the end of the year** | **174,646,541** | 179,633,131 |

All amounts in Saudi Riyals

## 13. INTANGIBLE ASSETS (CONTINUED)

A) Impairment

As on December 31, 2023, the Group recorded an impairment against internally developed technology platforms, amounted to SR 5,5 million (December 31, 2022: SR 36,3 million) due to the presence of indicators of impairment. The management conducted a study to assess the recoverable amount through forecasting the expected future cash flows of the asset which resulted in recoverable amount being less than the current value of the asset. Impairment is 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, 2023** | December 31, 2022 |
|---|---|---|
| Cost of revenue | **63,467,667** | 47,010,076 |
| General and administrative expenses | **8,390,195** | 6,957,474 |
| | **71,857,862** | 53,967,550 |

## 14. INVESTMENTS IN ASSOCIATES

The following is the details of each of the Group's associate companies as at the end of the year:

| | | **Ownership share percentage** | |
|---|---|---|---|
| ***Associate Company name*** | ***Country of Origin/ place of operations*** | **December 31, 2023** | December 31, 2022 |
| 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% |

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 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 equity in the Company representing the remaining amount of SR 13,9 million. And valuated at fair value through profit or loss using the multiples method (fair value level 3).

The following is a summary of the book value of the Group's share in the Company's net assets according to the equity method:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Net assets of Sahel Al Madar | **6,282,077** | 11,413,621 |
| The Group's share in the ownership of Sahel Al-Madar | **30%** | 30% |
| The book value of the Group's share | **1,884,623** | 3,424,086 |

**All amounts in Saudi Riyals**

**14. INVESTMENTS IN ASSOCIATES** (CONTINUED)

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 equity in the Company representing the remaining SR 4,8 million. And valuated at fair value through profit or loss using the multiples method (fair value level 3).

The following is a summary of the book value of the Group's share in the Company's net assets according to the equity method:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Net assets of Smart National Solutions | **3,472,054** | 18,551,171 |
| The Group's share in the ownership of Smart National Solutions | **24%** | 24% |
| The book value of the Group's share | **833,293** | 4,452,281 |

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.
During the year, the Group sold all of its shares in Al Dal Real Estate Services Company, in exchange for SR 150 Thousand. The disposal resulted in a loss of SR 29 Thousand, which has been recognized in the condensed consolidated statement of profit or loss under other income, net.

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

| | **December 31, 2023** | | | |
|---|---|---|---|---|
| | **Sahel Al Madar** | **Smart National Solutions** | **Al Dal Real Estate Services** | **Total** |
| ***Investment using the equity method:*** | | | | |
| Balance at the beginning of the year | **-** | **2,218,741** | **179,017** | **2,397,758** |
| Disposals during the year | **-** | **-** | **(179,017)** | **(179,017)** |
| Share of results from associates | **-** | **(2,218,741)** | **-** | **(2,218,741)** |
| | **-** | **-** | **-** | **-** |
| ***Long Term Interest:*** | | | | |
| Balance at the beginning of the year | **4,846,150** | **11,139,149** | **-** | **15,985,299** |
| Gain/ (Loss) at FVTPL | **4,176,503** | **(8,297,021)** | **-** | **(4,120,518)** |
| Group share in total accumulated losses (A) | **(8,327,378)** | **(1,400,250)** | - | **(9,727,628)** |
| | **695,275** | **1,441,878** | **-** | **2,137,153** |
| Group's net investment balance | **695,275** | **1,441,878** | **-** | **2,137,153** |

All amounts in Saudi Riyals

## 14. INVESTMENTS IN ASSOCIATES (CONTINUED)

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Sahel Al Madar | Smart National Solutions | Al Dal Real Estate Services | Total |
| ***Investment using the equity method:*** | | | | |
| Balance at the beginning of the year | - | 3,347,224 | 150,000 | 3,497,224 |
| Share of results from associates | - | (1,128,483) | 29,017 | (1,099,466) |
| | - | 2,218,741 | 179,017 | 2,397,758 |
| ***Long Term Interest:*** | | | | |
| Balance at the beginning of the year | 2,163,978 | 12,421,724 | - | 14,585,702 |
| Additions during the year | 8,430,000 | - | - | 8,430,000 |
| Gain/ (Loss) at FVTPL | (5,747,828) | (1,282,575) | - | (7,030,403) |
| | 4,846,150 | 11,139,149 | - | 15,985,299 |
| Group's net investment balance | 4,846,150 | 13,357,890 | 179,017 | 18,383,057 |

(A) The amount represents the Group's share of losses in excess of the value of the investment using the equity method, where losses are recognized by reducing other components of the company's interest in associates.

## 15. OTHER FINANCIAL ASSETS

The Group's other financial assets balances consist of:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| *Financial assets at FVTPL* | | |
| Money Market Funds (A) | **18,797,335** | 85,853,919 |
| Advance payment for future equity (B) | **19,936,296** | 29,972,335 |
| | **38,733,631** | 115,826,254 |
| *Financial assets at FVTOCI* | | |
| Unquoted equity investments (C) | **207,970,028** | 151,576,757 |

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

| | | |
|---|---|---|
| Current | **18,797,335** | 85,853,919 |
| Non-current | **227,906,324** | 181,549,092 |
| | **246,703,659** | 267,403,011 |

A) An investment in money market funds represents an investment in a public murabaha fund, aimed at achieving low-risk returns for unit holders while preserving capital and providing liquidity. (Fair value level 2).

B) The advance payment for future equity represents amounts that the Group has paid to obtain shares in the upcoming investment rounds of these companies. All advance payments are considered debt instruments in accordance with IFRS 9, And during valuation, fair value is measured using various methods such as multiples methods and investment rounds (Fair value level 3).

All amounts in Saudi Riyals

## 15. OTHER FINANCIAL ASSETS (CONTINUED)

C) Investments in unquoted equity represent venture capital investments for companies operating in the information technology sector in Saudi Arabia and abroad, And during valuation, fair value is measured using various methods such as multiples methods and investment rounds (Fair value level 3). These investments are retained for medium to long-term strategic purposes. Accordingly, management has chosen to classify these investments in equity at fair value through other comprehensive income, as short-term fluctuations in fair value do not align with the group's strategy of holding these investments for long-term purposes and realizing their potential performance over the long-term.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | **267,403,011** | 597,340,291 |
| Additions during the year | **432,696,961** | 118,592,303 |
| Collected from financial assets | **(467,929,663)** | (446,352,768) |
| (Loss)/gain on financial assets at FVTPL | **(11,848,122)** | 6,628,318 |
| Gain/(loss) on financial assets at FVTOCI (Note 25) | **26,381,472** | (8,805,133) |
| **Balance at the end of the year** | **246,703,659** | 267,403,011 |

## 16. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Government receivables | **1,487,490,009** | 928,308,495 |
| Trade receivables | **1,278,516,916** | 904,392,219 |
| | **2,766,006,925** | 1,832,700,714 |
| Expected credit losses provision | **(443,653,224)** | (367,622,511) |
| | **2,322,353,701** | 1,465,078,203 |

*The above amounts include balances with related parties (Note 31).

Account receivable ageing is as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Government | Private | Government | Private |
| 0-90 days | **520,838,382** | **733,104,253** | 277,734,067 | 467,398,827 |
| 91-180 days | **303,443,740** | **131,237,836** | 42,800,548 | 84,812,999 |
| 181-365 days | **59,458,087** | **122,080,896** | 23,250,420 | 102,783,606 |
| More than 365 days | **603,749,800** | **292,093,931** | 584,523,460 | 249,396,787 |
| | **1,487,490,009** | **1,278,516,916** | 928,308,495 | 904,392,219 |

All amounts in Saudi Riyals

## 16. ACCOUNTS RECEIVABLE (CONTINUED)

The movement of expected credit losses provision is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | 367,622,511 | 263,216,898 |
| Provision for the year (Note 35-A) | 76,030,713 | 104,405,613 |
| Balance at the end of the year | 443,653,224 | 367,622,511 |

## 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 in subsequent financial periods.

Contract assets consists of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Government contract assets | 701,502,502 | 807,711,945 |
| Trade contract assets | 274,984,648 | 111,954,500 |
| | 976,487,150 | 919,666,445 |
| Expected credit losses provision | (128,861,466) | (115,204,452) |
| | 847,625,684 | 804,461,993 |

*The above amounts include balances with related parties (Note 31).

The movement of expected credit losses is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | 115,204,452 | 70,947,564 |
| Provision for the year (Note 35-A) | 13,657,014 | 44,256,888 |
| Balance at the end of the year | 128,861,466 | 115,204,452 |

## 18. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Advance to vendors | 93,910,498 | 21,985,226 |
| Prepaid expenses | 77,400,840 | 59,965,903 |
| Deferred costs | 70,830,503 | 58,031,098 |
| Accrued murabha deposit income | 37,495,313 | 23,799,051 |
| Letter of guarantee | 30,466,718 | 26,102,849 |
| Employees receivable, net* | 26,020,880 | 21,052,388 |
| Other, net* | 1,317,073 | 1,776,842 |
| | 337,441,825 | 212,713,357 |

*Employee receivables and Other balances are shown net after deducting the allowance for expected credit losses.(Note 35-A).

All amounts in Saudi Riyals

## 19. MURABAHA DEPOSITS

The balance of murabaha deposits consists of deposits with a term of more than three months. The average commission is 6.20% annually (December 31, 2022: 4.98% annually), and the consolidated statement of profit or loss income has been charged with a total deposit income amounting to 127,9 SR million during the year ended December 31, 2023(December 31, 2022:SR 37,9 million). All murabaha deposits mature within one year.

## 20. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Cash at banks | **320,390,132** | 63,190,550 |
| Short term murabaha deposits * | **64,004,475** | 525,488,841 |
| | **384,394,607** | 588,679,391 |

*The balance of short-term murabaha deposits consists of short-term deposits of three months and less. The average commission is 5.79% annually (2022: 5.01%).

** The Company has a balance of SR 2.6 billion as at December 31, 2023 (December 31, 2022: SR 1,4 billion) 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 was not charged with deposit income during the year ended December 31, 2023 (December 31, 2022: SR 3,3 million).

## 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 (December 31, 2022: 80,000,000 shares with a par value of SR 10 per share).

## 22. STATUTORY RESERVE

As at December 31,2023, the statutory reserve balance was SR 174,7 million (December 31,2022: SR 174,7 million). According to the corporate law and the company's updated Article of Association, no statutory reserve has been formed during the current year.

All amounts in Saudi Riyals

## 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.

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| The number of outstanding treasury shares at the beginning of the year | **2,400,000** | - |
| The number of shares purchased during the year | **-** | 2,400,000 |
| The number of shares settled and reissued during the year | **(97,200)** | - |
| | **2,302,800** | 2,400,000 |

## 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 year, the Company settled a broad based stock ownership program for its employees, the details which are as follows:

| | |
|---|---|
| Grant date | March 30, 2022 |
| Due date | February 16, 2023 |
| Average fair value of the shares | SR 210 |
| Number of shares granted | 97,200 shares |
| Settlement method | Equity |

**A) long-term future incentive plans program- Tranche 1**

During the year 2022, the group announced the first phase of the long-term incentive plan program for its employees:

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

All amounts in Saudi Riyals

## 24. SHARE BASED PAYMENT (CONTINUED)

### C) long-term future incentive plans program- Tranche 2

During the year 2023, the group announced the second phase of the long-term incentive plan program for its employees:

| | |
|---|---|
| Grant date | September 7, 2023 |
| Due date | March 31, 2026 |
| Average fair value of the shares | SR 767 |
| Maximum number of shares granted | 119,621 Shares |
| Settlement method | Equity |

The following is the share-based payment expenses by program type:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Broad based stock ownership program | 2,813,352 | 17,632,670 |
| long-term future incentive plans program- Tranche 1 | 21,166,876 | 1,907,217 |
| long-term future incentive plans program- Tranche 2 | 12,554,727 | - |
| | 36,534,955 | 19,539,887 |

## 25. OTHER RESERVES

Other reserves consist of the following:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| *Employees end of service benefits remeasurement* | | |
| Opening balance | (53,360,943) | (44,984,753) |
| Remeasurement losses (Note 27) | (5,463,042) | (8,376,190) |
| | (58,823,985) | (53,360,943) |
| *Other financial assets revaluation reserve* | | |
| Opening balance | 9,640,169 | 18,445,302 |
| Gain/(Loss) on revaluation (Note 15) | 26,381,472 | (8,805,133) |
| | 36,021,641 | 9,640,169 |
| *Share based payment* | | |
| Opening balance | 19,539,887 | - |
| Additions | 36,534,955 | 19,539,887 |
| Settlement | (20,446,020) | - |
| | 35,628,822 | 19,539,887 |
| **Balance at the end of the year** | 12,826,478 | (24,180,887) |

All amounts in Saudi Riyals

## 26. EARNINGS PER SHARE

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Net profit attributable to equity holders of the parent Company | **1,356,230,754** | 930,189,589 |
| **Number of Shares** | | |
| Weighted average number of shares for calculation for basic earnings per share | **77,684,684** | 77,903,297 |
| Weighted average number of shares for repurchased shares | **2,315,316** | 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 | **17.46** | 11.94 |
| Diluted | **16.95** | 11.63 |

## 27. END OF SERVICES BENEFITS PROVISION

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assumptions: | | |
| Discount rate | **4.5% - 5.00%** | 4.5% - 4.55% |
| Salary increase rate | **4.50% - 7.00%** | 4.50% - 7.00% |

Employee end of service benefits provision movement in present value is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | **307,462,112** | 263,057,441 |
| Current service cost | **53,971,227** | 56,260,945 |
| Current service financing cost | **13,789,543** | 6,498,750 |
| Benefits paid | **(19,996,797)** | (26,731,214) |
| Actuarial losses (Note 25) | **5,463,042** | 8,376,190 |
| **Balance at the end of the year** | **360,689,127** | 307,462,112 |

All amounts in Saudi Riyals

## 27. END OF SERVICES BENEFITS PROVISION (CONTINUED)

Following is sensitivity analysis for the actuarial assumptions:

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | Rate change | Increase | Decrease | Increase | Decrease |
| Discount rate | 1% | **(21,192,645)** | **23,980,303** | (18,443,421) | 20,875,073 |
| Increase salary rate | 1% | **24,460,710** | **(22,032,918)** | 21,265,553 | (19,147,422) |
| Employee turnover rate | 10% | **(4,230,933)** | **4,681,208** | (3,947,687) | 4,335,256 |

## 28. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITES

Accounts payable and other current liabilities are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Income sharing accruals | **1,578,815,235** | 812,510,288 |
| Contractual cost | **384,390,554** | 370,623,525 |
| Employee accruals | **368,550,827** | 319,331,953 |
| Accounts payable | **328,851,291** | 318,805,227 |
| Value added tax (VAT) | **74,902,463** | 35,396,601 |
| Incentives & marketing | **42,273,245** | 38,345,939 |
| Litigation provision (Note 34) | **1,070,417** | 16,386,478 |
| Retention payable | **3,535,720** | 2,156,491 |
| Dividend Payable | **1,987,042** | 1,986,500 |
| Others | **20,678,630** | 12,769,365 |
| | **2,805,055,424** | 1,928,312,367 |

*The above amounts include balances with related parties (Note 31).

## 29. CONTRACT LIABILITIES

Contract liabilities are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deferred revenue from subscriptions | **301,738,702** | 261,667,633 |
| Advance from customers | **201,968,688** | 210,595,586 |
| | **503,707,390** | 472,263,219 |

All amounts in Saudi Riyals

## 30. ZAKAT

### 30-1 Zakat and Tax position

- The group submitted all its zakat returns until the end of the year 2022, with paying the zakat due based on those returns and received the zakat certificate for that year. The group has not received any zakat assessments until the date of preparing the consolidated financial statements.
- The Group pays VAT on a monthly basis and VAT returns have been submitted for all previous fiscal years. The Group underwent a tax examination for the years 2018, 2019 and 2020, 2022 and the process of examining tax returns submitted for these years was closed and did not result in any tax differences.

### 30-2 Zakat Base

The Group calculates and records the zakat provision on 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, 2023** | December 31, 2022 |
|---|---|---|
| Capital at beginning of the year | **800,000,000** | 800,000,000 |
| Additions: | | |
| Retained earnings - beginning of the year | **2,411,684,121** | 1,954,509,071 |
| Provision and reserves | **931,855,233** | 640,908,026 |
| Accounts payable and other liabilities | **371,752,158** | 525,531,570 |
| Net adjusted profit | **1,772,115,104** | 1,287,803,391 |
| Total adjusted equity | **6,287,406,616** | 5,208,752,058 |
| Disposals: | | |
| Dividends paid | **(466,183,200)** | (388,000,000) |
| Purchase of treasury shares | **(294,758,400)** | (307,200,000) |
| Net property (adjusted) and investments | **(931,863,431)** | (871,229,212) |
| Total adjusted disposals | **(1,692,805,031)** | (1,566,429,212) |
| Zakat base | **2,822,486,481** | 2,354,519,455 |
| Zakat base during the year | **4,682,305,967** | 3,715,485,880 |
| **2.5% Zakat from the zakat base during the year** | **117,057,649** | 92,887,147 |

### 30-3 Zakat Provision

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | **138,434,452** | 103,465,145 |
| Charge during the year | **117,057,649** | 92,887,147 |
| Paid during the year | **(71,878,782)** | (57,917,840) |
| **Balance at the ending of the year** | **183,613,319** | 138,434,452 |

All amounts in Saudi Riyals

## 31. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties consist of governmental entities, including ministries, authorities, and other government-affiliated entities (including the Public Investment Fund "the main shareholder"), government-related entities are subsidiaries of the main shareholder, associate companies, and members of the board of directors and senior management of the Company. All of these transactions are carried out according to the terms agreed by the management of the Group. As at the date of preparing the consolidated financial statements, balances with related parties were unguaranteed.

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, 2023 | December 31, 2022 |
|---|---|---|
| **Transactions with government entities (*)** | | |
| Service revenue (Note 5) | **2,123,098,462** | 1,950,878,809 |
| Services cost (Note 6) | **1,035,654,707** | 642,584,511 |
| **Transactions with government related entities** | | |
| Service revenue (Note 5) | **228,010,829** | 188,971,456 |
| Services cost (Note 6) | **59,519,482** | 41,282,273 |
| **Transactions with Associate companies** | | |
| Services cost (Note 14) | **7,704,913** | 15,928,053 |

* Service revenues from government entities include transactions with the main shareholder amounting to SR 30,0 million (2022: SR 74,0 million)

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Transaction with board of directors and senior executive managers** | | |
| Salaries and benefit | **25,627,146** | 20,101,227 |
| Remunerations and allowances | **29,087,389** | 22,590,750 |
| Share based payment Expense | **8,344,559** | 613,424 |
| End of service benefits Expense | **4,010,484** | 3,775,462 |
| | **67,069,578** | 47,080,863 |

| **Balances** | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Due from related parties (*)** | | |
| *Due from government entities classified under:* | | |
| Accounts receivable (Note 16) | **1,487,490,009** | 928,308,495 |
| Contract assets (Note 17) | **701,502,502** | 807,711,945 |
| *Due from government related entities classified under:* | | |
| Accounts receivable (Note 16) | **182,117,569** | 160,880,654 |
| Contract assets (Note 17) | **20,364,362** | 37,254,998 |
| **Due to Related Parties:** | | |
| *Due to government related classified under:* | | |
| Accounts payable and other current liabilities (Note 28) | **1,588,614,267** | 840,661,466 |
| *Due to government related entities classified under:* | | |
| Accounts payable and other current liabilities (Note 28) | **30,513,812** | 26,022,401 |
| *Due to associate companies classified under:* | | |
| Accounts payable and other current liabilities (Note 28) | **2,099,460** | 6,750,717 |

* Balances due from government entities include amounts due from the main shareholder included in receivables at an amount of SR 11,2 million (2022: SR 29,8 million). And due balances included in contract assets amounting to SR 25,6 million (2022: SR 47,7 million).

All amounts in Saudi Riyals

## 31. 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's business includes the following:

1- Digital business: These are ready-to-use solutions in the form of technical services, portals, electronic applications, and related support work, which were developed by the Company in cooperation with a large number of facilities in the public and private sectors with the aim of creating integrated services that cover a large segment of society, by creating advanced services that contribute to solving an existing problem or filling an existing service gap, by converting traditional procedures into electronic transactions. In addition to integrated technology businesses, entitlement engines and digital platforms, The Group provides integrated technology business solutions to clients from the public and private sectors.

2- Business process outsourcing: The Group seeks through business attribution solutions to enhance its competitive advantage in the field of operation and service provision in the areas of competence; and that is through the management and the total operation of services, or partial support for them in specific areas, and their progression towards a digital vision.

3- Professional services: These include advisory services and professional services in data analysis and artificial intelligence, through which The Group understands the problems of the facility and develops a comprehensive action plan to develop its overall performance and raise customer satisfaction levels.

Below are the summarized financial data for these sectors:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| **Revenue** | | |
| Digital business | **4,254,973,267** | 3,151,784,457 |
| Business process outsourcing | **1,478,990,609** | 1,301,376,963 |
| Professional services | **164,398,964** | 152,937,473 |
| | **5,898,362,840** | 4,606,098,893 |
| **Cost** | | |
| Direct cost | **(3,547,310,230)** | (2,720,238,240) |
| Operating expenses (except depreciation and amortization, ECL and impairment) | **(752,828,318)** | (608,143,552) |
| Expected credit loss (ECL) | **(91,770,357)** | (148,819,716) |
| Depreciation and amortization | **(149,951,571)** | (120,049,688) |
| Impairment of non-current assets | **(5,918,692)** | (36,455,686) |
| Other income, net | **122,668,731** | 50,684,725 |
| Zakat | **(117,057,649)** | (92,887,147) |
| | **(4,542,168,086)** | (3,675,909,304) |
| **Net profit** | **1,356,194,754** | 930,189,589 |

All amounts in Saudi Riyals

## 32. SEGMENT INFORMATION (CONTINUED)

Below is an analysis of gross profit by segments:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Digital business | **1,959,970,691** | 1,452,328,755 |
| Business process outsourcing | **366,554,707** | 399,379,038 |
| Professional services | **24,527,212** | 34,152,860 |
| | **2,351,052,610** | 1,885,860,653 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| ***Assets*** | | |
| Digital business | **5,841,184,113** | 4,123,634,856 |
| Business process outsourcing | **2,030,343,296** | 1,702,655,584 |
| Professional services | **225,685,229** | 200,095,629 |
| | **8,097,212,638** | 6,026,386,069 |
| ***Liabilities*** | | |
| Digital business | **2,959,499,413** | 2,038,679,830 |
| Business process outsourcing | **1,028,695,497** | 841,774,240 |
| Professional services | **114,345,874** | 98,925,084 |
| | **4,102,540,784** | 2,979,379,154 |

## 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 SR 500 million as of December 31, 2023 (December 31, 2022: SR 150 million ). The Group has utilized some of those facilities agreements to issue bank guarantees for its projects as disclosed in (Note 34).

## 34. CONTINGENT LIABILTIES

- The Group has outstanding bank letters of guarantee amounting to SR 109 million as of December 31, 2023 (December 31, 2022: SR 97 million).
- The Group has operating and capital commitments amounting to SR 1,3 billion (December 31, 2022: SR 840 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, 2023, the Group recorded a provision against legal cases amounting to SR 1,1 million (December 31, 2022: SR 16,4 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.
- As of December 31, 2023, the associate companies have no contingent liabilities (December 31, 2022: SR 0,5 million). The Group discloses its share of contingent liabilities from its associates.

All amounts in Saudi Riyals

## 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.

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Balance at the beginning of the year | **484,140,695** | 335,320,979 |
| Provision for accounts receivable (Note 16) | **76,030,713** | 104,405,613 |
| Provision for contract assets (Note 17) | **13,657,014** | 44,256,888 |
| Provision for Other receivable (Note 18) | **2,232,412** | - |
| (Reversal) /provision for employees (Note 18) | **(149,782)** | 157,215 |
| Balance at the end of the year | **575,911,052** | 484,140,695 |

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

| | Accounts Receivable | | Contract Assets | |
|---|---|---|---|---|
| | **December 31, 2023** | December 31, 2022 | **December 31, 2023** | December 31, 2022 |
| Government | **1,487,490,009** | 928,308,495 | **701,502,502** | 807,711,945 |
| Private | **1,278,516,916** | 904,392,219 | **274,984,648** | 111,954,500 |
| | **2,766,006,925** | 1,832,700,714 | **976,487,150** | 919,666,445 |

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 receivables:

| | Government receivables (A) | | | |
|---|---|---|---|---|
| | **December 31, 2023** | | December 31, 2022 | |
| | **Book value** | **ECL** | Book value | ECL |
| Low risk | **1,339,954,623** | **41,224,181** | 787,071,797 | 540,009 |
| Loss | **147,535,386** | **147,535,386** | 141,236,698 | 141,236,698 |
| | **1,487,490,009** | **188,759,567** | 928,308,495 | 141,776,707 |

| | Trade account receivable | | | |
|---|---|---|---|---|
| | **December 31, 2023** | | December 31, 2022 | |
| | **Book value** | **ECL** | Book value | ECL |
| 1-90 days | **733,104,253** | **-** | 467,398,827 | - |
| 91-180 days | **131,237,836** | **4,318,875** | 84,812,999 | 2,801,520 |
| 181 - 365 days | **122,080,896** | **18,796,015** | 102,783,606 | 16,311,125 |
| More than 365 days | **292,093,931** | **231,778,767** | 249,396,787 | 206,733,159 |
| | **1,278,516,916** | **254,893,657** | 904,392,219 | 225,845,804 |

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

| | Government contract assets | | | |
|---|---|---|---|---|
| | **December 31, 2023** | | December 31, 2022 | |
| | **Book value** | **ECL** | Book value | ECL |
| Low risk | **590,764,961** | **-** | 708,510,461 | - |
| Loss | **110,737,541** | **110,737,541** | 99,201,484 | 99,201484 |
| | **701,502,502** | **110,737,541** | 807,711,945 | 99,201,484 |

| | Trade contract assets | | | |
|---|---|---|---|---|
| | **December 31, 2023** | | December 31, 2022 | |
| | **Book value** | **ECL** | Book value | ECL |
| Low risk | **256,860,724** | **-** | 95,951,532 | - |
| Loss | **18,123,924** | **18,123,924** | 16,002,968 | 16,002,968 |
| | **274,984,648** | **18,123,924** | 111,954,500 | 16,002,968 |

The amount of provision for credit loss also includes provisions related to employee receivables in the amount of SR 1,163,950 as at December 31, 2023 (December 31, 2022: SR 1,313,732).

The amount of provision for credit loss also includes provisions related to other receivables in the amount of SR 2,232,412 as at December 31, 2023 (December 31, 2022: nil ).

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.

(A) During the year 2023, the Group implemented a dedicated matrix for the purpose of calculating the present value of money for governmental receivables. Through this matrix, the Group estimates the expected collection date by applying certain assumptions and inputs such as historical collection experience per client, which is reflected within the low-risk category of the risk items.

## 35. RISK MANAMGMENT (CONTINUED)

### A. Credit risk (continued)

*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).

*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.

**All amounts in Saudi Riyals**

**35. RISK MANAMGMENT** (CONTINUED)

**B. Liquidity risk** (continued)

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

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Within one year | Between 1 and 5 years | More than 5 years | Total |
| Accounts payable and other current liabilities | **2,783,306,377** | **-** | **-** | **2,783,306,377** |
| Liabilities of purchasing property | **26,062,795** | **-** | **-** | **26,062,795** |
| Lease liabilities | **43,227,370** | **95,996,135** | **98,308,800** | **237,532,305** |
| | **2,852,596,542** | **95,996,135** | **98,308,800** | **3,046,901,477** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Within one year | Between 1 and 5 years | More than 5 years | Total |
| Accounts Payable and other current liabilities | 1,899,156,526 | - | - | 1,899,156,526 |
| Liabilities of purchasing property | 26,062,795 | 26,062,795 | - | 52,125,590 |
| Lease liabilities | 15,775,056 | 16,123,197 | 75,578,787 | 107,477,040 |
| | 1,940,994,377 | 42,185,992 | 75,578,787 | 2,058,759,156 |

**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.

## 35. RISK MANAMGMENT (CONTINUED)

### C. Credit risk (continued)

*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, 2023, if the 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 16,9 million higher/lower, as a primary result of higher interest income/ low on variable rate deposits (December 31, 2022: SR 12,6 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

Below table 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 were no reclassifications of financial assets measured at fair value through the fair value hierarchy levels during the year:

All amounts in Saudi Riyals

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | |
| | At fair value | At amortized cost | Total | Level one | Level two | Level three | Total |
| **Financial assets** | | | | | | | |
| Other financial assets | 246,703,659 | - | 246,703,659 | - | 18,797,335 | 227,906,324 | 246,703,659 |
| Accounts receivable | - | 2,322,353,701 | 2,322,353,701 | - | - | - | 2,322,353,701 |
| Prepaid expenses and other current assets | - | 93,982,911 | 93,982,911 | - | - | - | 93,982,911 |
| Murabaha deposits | - | 3,056,113,638 | 3,056,113,638 | - | - | - | 3,056,113,638 |
| Cash and cash equivalents | - | 384,394,607 | 384,394,607 | - | - | - | 384,394,607 |
| **Total** | 246,703,659 | 5,856,844,857 | 6,103,548,516 | - | 18,797,335 | 227,906,324 | 6,103,548,516 |
| | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Accounts payable and other current liabilities | - | 2,805,055,424 | 2,805,055,424 | - | - | - | 2,805,055,424 |
| Liabilities of purchasing property | - | 25,396,063 | 25,396,063 | - | - | - | 25,396,063 |
| Lease liabilities | - | 224,079,461 | 224,079,461 | - | - | - | 224,079,461 |
| **Total** | - | 3,054,530,948 | 3,054,530,948 | - | - | - | 3,054,530,948 |

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 |
| Murabaha 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 | - | 1,928,312,367 | 1,928,312,367 | - | - | - | 1,928,312,367 |
| 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

## 37. COMPARATIVE FIGURES

*Reclassification*

As part of the regular review of the financial disclosures and presentation, 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.

1- Consolidated statement of financial position

The Group has reclassified some items of non-current assets and current liabilities to enhance presentation and align with the nature of these balances, the following table presents the reclassification:

| | December 31, 2022 | Reclassification | **Balance after reclassification** |
|---|---|---|---|
| **Non-current assets** | | | |
| Other financial assets | 197,534,391 | (15,985,299) | **181,549,092** |
| Investment in associate | 2,397,758 | 15,985,299 | **18,383,057** |
| | 199,932,149 | - | **199,932,149** |
| **Current liabilities** | | | |
| Accounts payable and other current liabilities | 1,903,401,458 | 24,910,909 | **1,928,312,367** |
| Due to related parties | 24,910,909 | (24,910,909) | **-** |
| | 1,928,312,367 | - | **1,928,312,367** |

The reclassification impact on the consolidated financial position of the Group has a similar effect on the consolidated statement of cash flows, and this impact has been reversed.

2- Segment information

The Group has reclassified certain segment information to align with changes in the presentation of internal reports for operational decision-maker within the Group, the following table presents the reclassification :

*2- A Revenues:*

| | December 31, 2022 | Reclassification | **Amount after reclassification** |
|---|---|---|---|
| Digital business | 3,139,716,782 | 12,067,675 | **3,151,784,457** |
| Business process outsourcing | 1,301,376,963 | - | **1,301,376,963** |
| Professional services | 165,005,148 | (12,067,675) | **152,937,473** |
| | 4,606,098,893 | - | **4,606,098,893** |

*2-B Gross profit:*

| | December 31, 2022 | Reclassification | **Amount after reclassification** |
|---|---|---|---|
| Digital business | 1,456,365,284 | (4,036,529) | **1,452,328,755** |
| Business process outsourcing | 399,379,038 | - | **399,379,038** |
| Professional services | 30,116,331 | 4,036,529 | **34,152,860** |
| | 1,885,860,653 | - | **1,885,860,653** |

## 38. DIVIDENDS

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

- The Board of Directors, in its meeting held on Muharram 18, 1445 AH (corresponding to August 5, 2023), approved cash dividends of SR 233,1 million (at SR 3 per share) for the first half of the year 2023. During August, the dividend were paid.

- The Board of Directors, in its meeting held on Shaaban 28, 1445 AH (corresponding to March 9, 2024), approved cash dividends of SR 310,8 million (at SR 4 per share) for the second half of the year 2023.

## 39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on Shaaban 28, 1445 AH (corresponding to March 9, 2024).