ARAB SEA INFORMATION SYSTEMS COMPANY

(A SAUDI JOINT STOCK COMPANY)
RIYADH – SAUDI ARABIA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

ARAB SEA INFORMATION SYSTMS COMPANY

(A Saudi Joint Stock Company) – Riyadh

Financial statements for the year ended December 31, 2020

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MOORE

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of "Arab Sea Information Systems Company" – A Saudi Joint Stock Company "The Company", which comprise the statement of financial position as at December 31, 2020, and statement of profits or losses and other comprehensive income, and statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the notes (1) to (29) thereon, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements for the company present fairly, in all material respects, the financial position of the company as at December 31, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Certified Public Accountants (SOCPA), appropriate to the circumstances of the company.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 financial statements section of our report. We are independent of the company in accordance with the professional code of conducts and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unqualified opinion dated March 1, 2020G.

Key audit matters

Key audit matters are those matters that, according to our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters include the following:

العيوطي وشركاه
محاسبون ومراجعون قانونيون
س.م رقم ٤٠٣٠٢٩١٢٤٥
CERTIFIED PUBLIC ACCOUNTANTS
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EL SAYED EL AYOUTY & CO.

INDEPENDENT AUDITOR'S REPORT... (continued)

TO THE SHAREHOLDERS
ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters... (continued)

Revenue recognition	
The key audit matter	**How our audit addressed the key audit matter**
Revenue recognition is considered a key audit matter as revenue being an important element of the company's performance and results, and due to its inclusion of Inherent risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the results of the company. As stated in note no. (19), the company realized for the year ended December 31, 2020 total revenues amounted to SR 24,122,503 (2019: SR 38, 687,418).	The audit procedures which we have performed , among other matters based on our judgment , included the following : • Tested the design of internal control procedures and its effectiveness in relation with recognition of revenue and the related receivables thereof. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify its reasonableness and determine whether there are significant fluctuations which needs additional review in light of our understanding to the current market conditions. • Performed tests of details to a sample of the sold products and verify the proper application of revenue recognition policy. • Verify the appropriateness of revenue recognition accounting policy to realize the company's revenue in accordance with the requirements of International Financial Reporting Standard No. (15) Revenue from contracts with clients.
Refer to Note No. (3.16) to the financial statements of the accounting policy related to Revenue.	

Recoverability of trade receivables	
The key audit matter	**How our audit addressed the key audit matter**
The collectability of trade receivables is considered a key audit matter as it comprise a major element of the company's management for the working capital that is managed on an ongoing basis., and due to impairment of trade receivables is determined using expected credit losses models that include significant judgments and estimates it may have a material impact on the company's financial statements. Management makes significant judgments, estimates and assumptions to measure and record expected credit losses. As stated in note no. (8), the total balance of trade receivables as at December 31, 2020 amounted to SR 23,205,919 (2019: SR 16,437,320) and a provision made for expected credit losses as at December 31, 2020 with sum of SR 8,521,392 (2019: SR 8,521,392).	The audit procedures which we have performed, among other matters based on our judgment, included the following : • Tested the company's procedures for controlling receivables, including controls over credit terms. • Tested a sample of receivable balances being provided during the year to determine the appropriateness of judgments, estimates and assumptions set by the management, and to assess the methodical approaches performed by the company to determine the probability of default and the extent of its inclusion the information related to the future expectations in computation of the expected credit losses. • Performed an analysis of significant receivables that are more than one year old and no provision has been provided for them by the company's management, taking into account the collections of the subsequent period to determine whether there are indications of impairment. • Reviewed arrangements and / or correspondence related to trade receivables for the purpose of assessing collectability of the material amounts due for collection a long time ago. • Evaluate the adequacy of the disclosures included in the financial statements in accordance with the requirements of International Financial Reporting Standard no. (9) and no. (7) -Financial instruments and disclosures.
Refer to Note No. (3.15) to the financial statements of the accounting policy related to Financial instruments.	

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P.R.4030291245
EL SAYED EL AYOUTY & CO.

INDEPENDENT AUDITOR'S REPORT... (continued)

TO THE SHAREHOLDERS
ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – SAUDI ARABIA

REPORT ON THE AUDIT OF THE -FINANCIAL STATEMENTS

Key audit matters... (continued)

Intangible assets :	
The key audit matter	**How our audit addressed the key audit matter**
Intangible assets is considered a key audit matter as the measurement of amortization and impairment of intangible assets requires the management to make judgments, set assumptions and estimates related with future volume of sales, growth rates, discount rates and others relevant assumptions The management has reviewed the impairment of intangible assets as at December 31, 2020. As stated in note no. (6), the net carrying amount of intangible assets balance as at December 31, 2020 amounted to SR 129,298,818 (2019: SR 145,656,437)	The audit procedures which we have performed, among other matters based on our judgment, included the following : • Studied and reviewed the internal control systems related to the financial operations of intangible assets. • Verify the correctness of the annual amortization calculation in accordance with the management's estimate of the useful life. • Tested the reasonableness of the main estimates used by the company in studying the impairment of intangible assets. • Verify the correctness of the presentation, disclosure, and accounting policies in accordance with the relevant international financial reporting standard.
Refer to Note No. (3.4) to the financial statements of the accounting policy related to intangible assets	

Other Information

The other information includes the information included in the company's annual report for the year ended December 31,2020 rather than the financial statements and the independent auditor's report thereon. The company's management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us after the date of this auditor's report.

Our opinion on the financial statements does not include the other information, nor does it express any form of assurances in this regard.

With regard to our audit of the financial statements, it is our responsibility to read the information stated above , and in doing so, we consider whether the other information are materially inconsistent with the financial statements or the information we obtained during the audit process, or otherwise appears to contain material misstatement.

When we read the other information and discover that there is a material misstatement therein, we must inform those charged with governance accordingly.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the -financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of Companies' Law and company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

السيد العيوطي وشركاه محاسبون ومراجعون قانونيون
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INDEPENDENT AUDITOR'S REPORT... (continued)

TO THE SHAREHOLDERS
ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – SAUDI ARABIA

REPORT ON THE AUDIT OF THE -FINANCIAL STATEMENTS

Responsibilities of management and those charged with governance for the financial statements (continued)

In preparing the financial statements, the management is responsible for assessing the company'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 company or to cease operations, or has no choice of an appropriate alternative but to do so.

Those charged with governance, the Board of Directors are responsible for overseeing the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 International standards on auditing 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 financial statements.

As part of an audit in accordance with International Standards of Auditing 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
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RIYADH – SAUDI ARABIA

REPORT ON THE AUDIT OF THE -FINANCIAL STATEMENTS

Auditors' responsibilities for the audit of the financial statements... (continued)

We communicate with the 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 have also provided those charged with governance with a statement which states that we have complied with the relevant ethical requirements relating to independence. Furthermore, they have been informed with all relations and other matters that we believe reasonably affect our independence and, as appropriate, the relevant safeguard measures.

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

For EL SAYED EL AYOUTY & CO.

A. Balamsh

Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

Riyadh: Shaban 16, 1442 H
March 29, 2021 G

CERTIFIED PUBLIC ACCOUNTANTS
P.R.4030291245
EL SAYED EL AYOUTY & CO.

ARAB SEA INFORMATION SYSTEMS COMPANY

(A Saudi Joint Stock Company) – Riyadh

Statement of financial position as at December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31/12/2020	31/12/2019
Assets			
Non-current assets			
Property and equipment, net	5	390,138	373,176
Intangible assets, net	6	129,298,818	145,656,437
Total non-current assets		**129,688,956**	**146,029,613**
Current assets			
Inventory	7	12,194,944	12,411,982
Trade receivables, net	8	14,684,527	7,915,928
Prepaid expenses and other receivables	9	1,746,777	503,199
Cash and cash equivalents	10	3,085,104	1,556,438
Total current assets		**31,711,352**	**22,387,547**
Total assets		**161,400,308**	**168,417,160**
Shareholder's equity and liabilities			
Shareholder's equity:			
Share capital	11	100,000,000	100,000,000
Statutory reserve	12	15,385,505	15,385,505
Retained earnings		20,941,453	36,691,733
Total shareholder's equity		**136,326,958**	**152,077,238**
Non-current liabilities			
Employees' defined benefits obligations	13	3,667,671	3,274,000
Total non-current liabilities		**3,667,671**	**3,274,000**
Current liabilities			
Deferred revenue	14	9,584,381	2,587,388
Trade payables	15	1,963,872	2,175,328
Due to related parties	16	1,199,237	1,724,904
Accrued expenses and other payables	17	4,714,171	4,810,298
Provision for zakat	18	3,944,018	1,768,004
Total current liabilities		**21,405,679**	**13,065,922**
Total liabilities		**25,073,350**	**16,339,922**
Total shareholder's equity and liabilities		**161,400,308**	**168,417,160**

Chief Financial Officer	**Chief Executive Officer**	**Authorized BOD's Member**

The accompanying notes (1) to (29) form an integral part of these financial statements

Statement of profits or losses and other comprehensive income for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31/12/2020	31/12/2019
Revenue	19	24,122,503	38,687,418
Cost of revenue	20	(18,663,441)	(16,277,646)
Gross profit		**5,459,062**	**22,409,772**
Selling and distribution expenses	21	(6,837,738)	(7,540,658)
General and administrative expenses	22	(7,072,696)	(9,037,393)
(Losses) Reversal of losses of impairment of intangible assets	6	(5,000,000)	18,330,000
Other income		39,000	7,950
(loss) profit from operating activities		**(13,412,372)**	**24,169,671**
Zakat		(621,692)	(260,991)
Adjustments and differences of zakat	18	(1,844,451)	240,429
Net (loss) /profit for the year		**(15,878,515)**	**24,149,109**
Other comprehensive income :			
Items that will not be reclassified in subsequent date to profit or loss			
Actuarial profits from re-measurement of employees 'defined benefits obligations	13	128,235	243,000
(loss) other comprehensive income		**128,235**	**243,000**
Comprehensive (loss) /income for the year		**(15,750,280)**	**24,392,109**
Basic and diluted earnings per share attributable to Shareholders of the company from net (loss)/profit for the year	23	**(1.59)**	**2.41**

Chief Financial Officer | **Chief Executive Officer** | **Authorized BOD's Member**

The accompanying notes (1) to (29) form an integral part of these financial statements

ARAB SEA INFORMATION SYSTEMS COMPANY

(A Saudi Joint Stock Company) – Riyadh

Statement of shareholders' equity for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity
For the year ended December 31, 2019				
Balance at January1,2019	100,000,000	12,946,294	14,738,835	127,685,129
Net profit for the year	-	-	24,149,109	24,149,109
Other comprehensive income of the year	-	-	243,000	243,000
Comprehensive income of the year	-	-	24,392,109	24,392,109
Transferred to statutory reserve	-	2,439,211	(2,439,211)	-
Balance at December 31, 2019	**100,000,000**	**15,385,505**	**36,691,733**	**152,077,238**
For the year ended December 31, 2020				
Balance at January 1, 2020	100,000,000	15,385,505	36,691,733	152,077,238
Net (loss) for the year	-	-	(15,878,515)	(15,878,515)
Other comprehensive income of the year	-	-	128,235	128,235
Comprehensive income of the year	-	-	(15,750,280)	(15,750,280)
Balance at December 31, 2020	**100,000,000**	**15,385,505**	**20,941,453**	**136,326,958**

Chief Financial Officer **Chief Executive Officer** **Authorized BOD's Member**

The accompanying notes (1) to (29) form an integral part of these financial statements

ARAB SEA INFORMATION SYSTEMS COMPANY

(A Saudi Joint Stock Company) – Riyadh

Statement of cash flows for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31/12/2020	31/12/2019
Cash flows from Operating Activities:			
Net (loss)profit for the year		(15,878,515)	24,149,109
Adjustment to net (loss)profit for the year:			
Depreciation of property and equipment		137,288	243,433
Amortization of intangible assets		11,417,619	11,275,948
Employees' defined benefits obligations		593,000	650,000
Impairment of intangible assets		5,000,000	(18,330,000)
Zakat		2,466,143	20,562
		3,735,535	**18,009,052**
Changes during the year:			
Inventory		217,038	(2,068,948)
Trade receivables		(6,768,599)	(6,480,695)
Prepaid expenses and other receivables		(1,243,578)	842,248
Trade payables		(211,456)	1,092,366
Deferred revenue		6,996,993	148,523
Due to related parties		(525,667)	781,500
Accrued expenses and other payables		(96,127)	1,586,591
Provision for zakat – paid		(290,129)	(683,376)
Employees' defined benefits obligations- paid		(71,094)	(23,000)
Net cash provided by operating activities		**1,742,916**	**13,204,261**
Cash flows from investing Activities:			
(Purchase) of Property and equipment		(154,250)	(134,133)
Expensed to add intangible assets		(60,000)	(12,592,650)
Net cash flows (used in) investing activities		**(214,250)**	**(12,726,783)**
Net Increase in cash equivalent during the year		**1,528,666**	**477,478**
Cash and cash equivalents at the beginning of the year		1,556,438	1,078,960
Cash and cash equivalent at the end of the year	**10**	**3,085,104**	**1,556,438**

Chief Financial Officer | **Chief Executive Officer** | **Authorized BOD's Member**

The accompanying notes (1) to (29) form an integral part of these financial statements

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

1. General

1.1. Arab Sea Information Systems Company – A Saudi joint stock company - (the "company") incorporated in accordance with the Saudi Companies Law under Ministerial Resolution No. (128/M) dated 14/4/1429 H. corresponding to 20/4/2008, under which the announcement of the conversion of the Arab Sea Information Systems Company from a limited liability company to a Saudi joint stock company. It is registered in the Commercial Registration in Riyadh under No. 1010169116 and dated 27/6/1422 H corresponding to (15/9/2001), valid until 26/6/1447 H corresponding to 17/12/2025 - and the address of the head office is Riyadh City PO Box: 40268 Postal Code: 11499.

<u>The financial statements include the company's accounts and its following branches</u>

Name of the branch	City	CR No.	Date
Network Solutions Branch of the Arab Sea Information Systems Company	Riyadh	1010251079	27/5/1429H
Arab Sea Information Systems Company	Buraidah	1131291891	3/8/1439H
Arab Sea Information Systems Company	Khobar	2051221240	3/8/1439H
Arab Sea Information Systems Company	Tabouk	3550123009	3/8/1439H
Arab Sea Information Systems Company	Jeddah	4030287742	3/8/1439H
Arab Sea Information Systems Company	Khamais Mushait	5855339644	3/8/1439H
Arab Sea Training Center	Riyadh	1010664109	8/3/1442H
Arab Sea Information Systems Company, Dubai branch	Dubai - UAE	1383041	-

1.3. The company's is engaged in reproduction of ready-made computer programs (software) network extensions, installation and extension of computer and communication networks, retail sale of computers and their accessories including (printers and their inks), retail software, design and programming of special software.

1.4. Dated April 15, 2020, the company's shares were listed in the main market after the Capital Market Authority approval to be transferred from the parallel market "Nomu" to the main market submitted on March 17, 2020 through the automated system.

On 29 Dhul Hijjah 1441H corresponding to 19 August 2020, the company announced the results of the extraordinary general assembly meeting (the first meeting) which was held at the company's headquarters in Riyadh, via modern technology, using the trading system, it has been agreed to amend some of the articles of the company's articles of association as follows:

- Approval of the amendment of the third article related to the company's objectives.
- Approval of the amendment of Article 19 related to the powers of the Board.
- Approval of the amendment of Article Twenty-one related to the powers of the Chairman, the Deputy, the Managing Director and the Secretary.
- Approval of the amendment of Article 30 related to inviting associations.
- Approval of the amendment of Article Forty-one related to the reports of the committee.
- Approval of the amendment of Article 45 related to financial documents.

- Arab Sea Information Systems Company announced the approval of the Board of Directors in its meeting dated17/9/2020 to start incorporation of a limited liability company based in Riyadh to be specialized in digital payments wholly owned by the Arab Sea Information Systems Company after obtaining the necessary approvals from the concerned authorities.

1.5. The company's fiscal year starts first of January and ends at the end of December of each calendar year, and the financial statements presented for the year ended December 31, 2020 compared to the year ended December 31, 2019.

2. Basis of preparation

2.1. Statement of compliance

These financial statements prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2.2. Basis of measurement

The financial statements have been prepared in accordance with the accrual basis of accounting and the going concern concept, and on the basis of the historical cost principle except for financial assets that are measured at fair value and financial liabilities that are measured at the present value of future liabilities projections using the projected unit credit method.

2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the company.

2.4. Use of judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosures of contingent liabilities at the reporting date. Although these estimates are based on the best current information and indicators available to management, the final actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis, and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods.

The significant judgments made by management when applying the company's accounting policies and the significant sources of estimation uncertainties were the same as those applied to the financial statements for the year ended December 31, 2020

The most significant accounting judgments, estimates and assumptions

2.4.1. Judgments

The following is an explanation to the significant judgments when applying the accounting policies that have a material impact on the amounts presented in the financial statements and the notes thereon:

Fulfillment of performance obligations

The company evaluates each of its contracts with clients to determine whether performance obligations have been met over time or at specified time in order to determine the appropriate method for recording revenues under the provisions of the relevant laws and regulations.

Determination of transactions' prices

The company determines transaction prices in relation to each of its contracts with clients, and when making such judgment, it assesses the impact of any variable price in the contract as a result of discounts or fines and existence of any substantial financing component in the contract, or any non-monetary price in the contract.

The following notes include information about other judgments:

Note (3.3) classification of leases

2. Basis of preparation… (continued)

2.4.2. Estimates and assumptions

The following is an explanation of information related to assumptions and estimates of uncertainty that have a material impact on the amounts presented in the financial statements and their notes:

Going concern concept

The financial statements have been prepared in on a going concern basis. The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the necessary resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern.

Useful lives of property and equipment

The management determines the estimated useful lives of Property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear.

Management reviews the residual useful lives annually to verify that it reflects the expected benefit to be obtained. If, it differs from previous estimates, changes in depreciation expense in the current and future periods are adjusted - if any.

Provision for expected credit losses (ECL) on trade receivables

The company uses a matrix to calculate ECL for trade receivables. This matrix is based initially on the historical default rates monitored by the company. At each reporting date, the historical observed default rates are updated and changes in future estimates are analyzed. The evaluation of the correlation between historical observed default rates, projected economic conditions and expected credit losses is a substantial estimate. The amount of expected credit losses is very sensitive to changes in the expected economic circumstances and conditions.

Impairment of non-financial assets

(Except for inventory, investment properties and goodwill - if any - which are separately assessed for impairment Management at each reporting date reviews the carrying values of other non-financial assets to determine if there is any impairment indicator. In the event of impairment of those assets, and in the event of such an indication, the recoverable value is estimated and the book value is reduced thereto and the impairment loss of those assets is recognized and charged to the statement of income

The recoverable amount is measured using the higher of fair value of the asset less the cost to sell it or the expected present value of the cash flows according to the discount rate,

Indications of impairment of a non-financial asset may be information that a material impairment has occurred to the market value of the asset is more than expected as a result of normal use or the availability of evidence of obsolescence, damage or deterioration of its expected economic performance whether in its operating results or in the expected cash flows from it.

When there are indications that a recognized impairment loss in prior periods may no longer exist or have impaired impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

The following notes include information on assumptions and other estimates of uncertainty:

Note (3.5) Impairment of inventory
Note (3.11) Measurement of employees'defined benefit obligations.
Note (3.13) Provisions
Note (3.15.1) Impairment of financial assets measured at cost or amortized cost

3. Summary of significant accounting policies

The significant accounting policies set of below have been applied consistently to all periods presented in these financial statements .

3.1. Current versus non-current classification

The Company presents assets and liabilities in the financial statements based on current / non-current classification.

Assets

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized or sold within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it is:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.2. Property and equipment

A) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and the accumulated impairment loss (if any).

The cost of a self-constructed asset includes the cost of materials, direct labor and any other costs directly attributable to bringing this asset into a condition for its intended use, and the costs of dismantling and removing the elements and repairing the site in which it is located.

When the significant parts of an item of Property and equipment have different useful lives, they are counted as separate items (major components) of Property and equipment.

De-recognition

De-recognition of an item of Property and equipment is made when it is sold or when future economic benefits are not expected to flow from its use or sale.

The gains and losses resulting from the disposal of an item of Property and equipment are determined by comparing the proceeds of disposal with the book value of the disposed of Property and equipment, and is recognized on a net basis, in the statement of income.

3. Summary of significant accounting policies… (continued)

3.2. Property and equipment… (continued)

Subsequent acquisition costs

The cost of replacing a component of an item of Property and equipment, renovations and major improvements is included in the carrying amount of the item when it increases materially from its expected useful life and there is a possibility that future economic benefits will flow into the company and that its cost can be measured reliably and is carried value is de-recognized for the replaced component.

Expenses for the normal maintenance and repairs of Property and equipment are included in the statement of income when incurred

Depreciation

Depreciation is based on the cost of the assets less their residual value. The significant components of individual assets are estimated, and if a component has a useful life that differs from the remaining of that asset, that component is depreciated separately.

Depreciation is recorded in the statement of income using the straight-line method over the expected useful life of each component of an item of Property and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate. Depreciation of the asset starts when it is available for use, and its depreciation stops on the earlier date in which the asset is classified as held for sale or is de-recognized.

The following are the estimated useful lives:

- Improvements on leased buildings	Lower of 10 years or lease period
- Office equipment	10 years
- Tools	5 years
- Motor vehicles	4 years
- Furniture and fixtures	10 years

3.3. Leases

Determining whether the agreement is (or its content) is a lease based on the substance of the agreement. The agreement is considered a lease or contains a lease if it gives the right to control the use of an asset for a period of time in exchange for some consideration.

A single model of recognition and measurement is applied to all leases, except for short-term or impaired leases, and the right-of-use assets and lease obligations are recognized at the contract commencement date.

Right-of-use assets

Right-of-use assets is measured at cost which consists of the followings:
- The initial measurement amount for the leases' obligations,
- Any lease payments made on or before the lease commencement date less any lease incentives received,
- Any initial direct costs, and
- Renewal costs.

Right-of-use assets is depreciated using the straight-line method over the shorter expected useful life or the lease term.

3. Summary of significant accounting policies… (continued)
3.3. Leases… (continued)

Leases' obligations

Lease obligations are initially measured at the present value of unpaid lease payments on the lease commencement date, which includes:

- Fixed payments (including fixed payments in substance) less any debit rent incentives.
- Variable rental payments that are indicators or rate based.
- Amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of a call option if the lessee is reasonably sure of exercising the option.
- Fines for terminating the lease, if the lease term reflects the lessee's exercise of that option.

Lease payments are discounted using the incremental borrowing rate, which represents the price that the lessee will pay to borrow the funds necessary to obtain an asset at a similar value in a similar economic environment with similar terms and conditions.

Each rental payment is distributed between the finance cost and the reduction of the existing obligation, and the finance cost is charged to profit or loss over the lease period so that a constant periodic interest rate is achieved on the remaining balance of the obligation for each period.

Short term or impaired leases

Short-term leases are leases with a lease period of 12 months or less. Payments related to short-term leases and impaired leases are recognized on a straight-line basis as an expense in the statement of profit or loss.

3.4. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are stated at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized over their economic useful lives and are assessed for impairment when there is an indication that it has impaired. The amortization period and the amortization method for intangible assets are reviewed in case there is an indication of a change since the last annual report was prepared, and they will be modified later, if required. Intangible assets are amortized on a straight-line method over their estimated useful lives. The amortization expense of intangible assets is recognized in the statement of comprehensive income in the expense category in line with the function of those intangible assets

The following are the estimated useful lives for the current year and the comparative years:

Software and applications 20 years.

When the useful life of an intangible asset is indefinite, the intangible asset is not amortized, but rather the impairment is tested annually, or when there is an indication that it has impaired.

Gains or losses arising from de-recognition of intangible assets are measured on the basis of the difference between the net disposal proceeds and the book value of intangible assets, and are recognized in the statement of comprehensive income when the recognition of those intangible assets is canceled.

3. Summary of significant accounting policies… (continued)
3.4. Intangible assets… (continued)

Subsequent acquisition costs

Development expenses for acquired intangible assets or internally generated intangible assets are included when the company is able to separate those expenses from research costs, and it can prove the technical feasibility of completing the intangible assets so that they are available for use or sale, its intention to complete and its ability to use or sell the asset, and how the asset generates future economic benefits, the availability of technical and financial resources to complete the asset and the ability to measure expenses reliably during the development process.

Development expenses that do not meet the previous conditions and research expenses are included in the statement of profits or losses when incurred.

3.5. Inventory

Inventory is measured at the lower of cost or net realizable value. The cost is determined using the weighted average method. The cost includes the costs of purchasing the inventory and all the expenses incurred related to its transfer and bringing it to its present location and condition. The net realizable value represents the estimated selling price in the ordinary course of business less any expected costs of completion and estimated selling costs.

Impairment of inventory

At each reporting date, an assessment is made to determine whether any of the inventory items has impaired, by comparing the carrying amount of each inventory item (or group of similar items) with its selling price less the cost of completing and selling it. If the net selling price is less than the carrying amount, the inventory impairment loss is recognized.

3.6. Transactions with related parties

Transactions with related parties include transfer of resources, services, obligations, or financing between the company and that related party, regardless of whether or not those transactions are carried out on terms equivalent to those that prevail in transactions that take place on the basis of free competition or not.

A person is considered related to the group if that person, or is close to that person's family:

A. A member of the senior management personnel * in the company; or
B. Has joint control or control over the company; or
C. Has an important influence on the company’s decisions and directions.

* Senior management personnel are those persons, who have the authority and responsibility to plan, direct and control the activities of the company, directly or indirectly, including any manager, whether executive or otherwise.

An entity is considered related to the company if:

A. The entity and the company are members of the same group or are jointly owned by owners; or
B. The entity is an associate or owned by the company; or
C. The fact that the entity is subject to the control of the company, or vice versa, or the entity and the company are subject to joint control.

3.7. Accounts receivable

Accounts receivable are initially recognized at fair value, and are subsequently measured at amortized cost using the effective interest rate, less any impairment losses on receivables.

Trade receivables result from the company providing its services to clients on credit. The Company's management does not impose any commissions or interest on trade receivables.

3. Summary of significant accounting policies… (continued)

3.8. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash at banks, cash on hand, and short-term deposits maturity of which is three months or less. It is subject to insignificant risk of change in value.

3.9. Statement of cash flows

The statement of cash flows is prepared according to the indirect method.

For the purposes of preparing the statement of cash flows, cash and cash equivalents consist of bank balances, cash on hand and short-term deposits, less existing overdraft accounts, which are an integral part of the cash company's management.

3.10. Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognized for the obligations that must be paid in the future for the materials and services obtained, whether the suppliers are billed or not.

Trade payables are obligations that the company has incurred during the normal business cycle on the basis of normal credit terms and they are non- bearing interest.

3.11. Employees' benefits

Defined benefit programs (end of service benefits for employees)

The company applies a defined benefit plan to reward the end of service for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. Payments under this scheme are based on employees 'final salaries and allowances and their years of service accumulated on the date they ceased their employment. As it is known in the conditions contained in the labor laws in the Kingdom of Saudi Arabia, employees' end of service benefit plans are unfunded plans whereby the concerned entities fulfill their obligation to pay benefits when they are due.

The defined benefit obligation is re-measured periodically by an actuarial expert using the projected unit credit method.

The liability amount is calculated on the basis of the present value of the estimated future cash outflows discounted at the discount rate used. The defined benefit obligation costs are calculated using the actuarial defined retirement costs at the end of the previous year, adjusted for significant market fluctuations and for any significant one-time events such as program adjustments, labor curtailment and reimbursements.

Actuarial gains and losses arising from re-measurement of the net defined benefit plan obligations are included in the statement of other comprehensive income. The company calculates the interest expense by applying the discount rate to measure the net defined benefit obligation. The net interest expense and other expenses related to the defined benefit program are recorded in the statement of profit or loss.

Employees' short term benefits

An obligation is recognized for benefits payable to employees related to wages and salaries, including non-monetary benefits, annual leaves, sick leaves, travel tickets and other allowances during the period in which the related service is provided, as well as the undiscounted amount of the benefits expected to be paid for that service on the basis that related service performed. Obligations recognized for short-term employee benefits are measured at the undiscounted amount expected to be paid for the service rendered.

3. Summary of significant accounting policies… (continued)

3.12. Zakat and tax

Zakat:

The company is subject to the regulations for zakat, which is determined according to the regulation and instructions issued by the General Authority for Zakat and Income (GAZT) and in accordance with the Zakat standard.

Zakat is calculated on the higher Zakat base that includes the zakat income or the adjusted net income, which is calculated through the financial statements of the company according to which a return is filed for the company in accordance with the regulation and instructions issued by the GAZT.

Withholding tax

The company withholds taxes on some transactions with non-resident parties in the Kingdom of Saudi Arabia, as required in accordance with the tax regulations in force in the Kingdom of Saudi Arabia. Withholding tax related to foreign payments is recorded as short-term liabilities.

Value added tax (VAT)

The net amount of VAT recoverable from, or payable to the General Authority for Zakat and Income is included as part of receivables or payables in the statement of financial position.

3.13. Provisions

Provisions are recognized when the company has a present (legal or constructive) obligation arising from a previous event and there is a probability that the company will be required to pay this obligation through cash flows of resources outside the company that embody economic benefits and it is possible to make a reliable estimate of the amount of the obligation. Where the Company expects to pay some or all of the provision - for example - under an insurance contract, the payment is included as a separate asset, but only when the payment is actually certain. The expense relating to the provision is presented in the statement of profit or loss less any payment.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of external resources, including economic benefits, will be required to settle the obligation, the provision is reversed.

3.14. Foreign currencies

Transactions in foreign currencies during the year are translated into Saudi riyals according to the exchange rates prevailing at the time of the transaction, and the assets and liabilities balances recorded in foreign currencies at the date of the financial statements are translated into Saudi riyals at the exchange rates prevailing on that date. Profits and losses resulting from transfers are included in the statement of income.

3.15. Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or as an instrument of equity for another entity. Financial assets and financial liabilities are recognized and measured in accordance with the provisions for measurement, evidence, and recognition requirements contained in the International Financial Reporting Standard No. (9).

The following are details of the accounting policies related to this:

3. Summary of significant accounting policies… (continued)
3.15. Financial instruments… (continued)

3.15.1. Financial assets

Initial recognition and measurement

Trade receivables and deposits are recorded on the date they arise, and all other financial assets are recognized on the trade date in which the company becomes a party to the contractual provisions of the instrument.

Financial assets are measured upon initial recognition at the transaction price that is attributable to the acquisition of the financial asset, including the transaction cost, excluding the financial assets that are subsequently measured at fair value through the statement of income. If the arrangement is in fact a financing transaction, then the financial asset is recognized at the present value of future payments discounted at the market interest rate.

Classification and subsequent measurement

IFRS 9 includes three main classification categories of financial assets: financial assets that are measured at amortized cost, assets that are measured at fair value through other comprehensive income, and assets that are measured at fair value through the statement of profit or loss.

Under IFRS 9, the financial derivatives incorporated in contracts in which the underlying instrument is a financial asset within the scope of the standard is not subdivided. Rather, the hybrid financial instrument as a whole is evaluated for the purpose of classifying it.

The subsequent measurement of financial assets depends on their classification as shown below:

Financial assets measured at amortized cost

These assets are measured upon initial recognition of fair value in addition to transaction costs directly related to the acquisition or issue of the financial asset. After initial recognition it is measured at amortized cost using the effective interest method.

Financial assets at fair value through other comprehensive income:

Upon initial recognition, the company may perform irrevocable tests (on an instrument-by-instrument basis) to assign investments in equity instruments at FVTOCI. It is not permitted to designate fair value through other comprehensive income if the equity investment is held for trading or if it is a corresponding consideration recognized by the acquirer in combining businesses to which IFRS 3 applies.

Investments in equity instruments are measured at FVOCI initially at fair value plus transaction costs. Thereafter, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The accumulated gain or loss will not be reclassified into profit or loss on disposal of equity investments, but rather will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the company's right to receive dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets classified upon initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. After its initial recognition it is re-measured at fair value.

3. Summary of significant accounting policies… (continued)
3.15. Financial instruments… (continued)
3.15.1. Financial assets… (continued)

De-recognition of financial assets

De-recognition of a financial asset is essentially made when:

The right to receive cash flows from the asset is expired, or

That the company transfers its rights to receive cash flows from the asset, or incurred the obligation to fully repay the cash flows received without material delay to a third party under a "transitory arrangement". Either it transferred substantially all the benefits and risks of the asset, or it did not transfer or retain substantially all the benefits and risks of the asset but transferred control of the asset.

Impairment of financial assets measured at cost or amortized cost

In accordance with International Financial Reporting Standard No. (9), an assessment is made at each reporting date for impairment of financial assets that are measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments as well as on contract assets. This is according to the expected future credit loss model which requires a great appreciation regarding how changes in economic factors affect expected credit loss models, which are determined on the basis of the likelihood, and loss provisions are measured according to one of the following basis:

1. 12-month expected credit loss: This expected credit loss results from potential default events within 12 months after the reporting date.
2. Expected credit loss over the life of the financial instrument: it is the credit loss of financial assets significantly on the reporting date since its initial recognition, and the measurement of expected credit loss is applied over a period of 12 months. Significant credit risk in the event that the instrument is exposed to low credit risk at the reporting date. However, the lifetime ECL is always applied to trade receivables and contract assets without any significant financing components. An entity may elect to apply this policy also for trade receivables and contract assets with significant financing components.

3.15.2. Financial liabilities

Initial measurement

Upon initial measurement, except for financial liabilities that are subsequently measured at FVTPL, financial liability is measured at the transaction price (including transaction costs), unless an arrangement is formed, in fact a financing transaction for the entity (for a financial liability) or the counterparty (for a financial asset) for the arrangement.

Upon initial measurement, financial liabilities that are subsequently measured at FVTPL, transaction costs are recognized through profit or loss.

The arrangement constitutes a financing transaction if the payment is deferred beyond the normal business terms. If the arrangement constitutes a financing transaction, financial liability is measured at the present value of future payments discounted at the market interest rate for a similar debt instrument.

Trade payables that do not contain a significant financing component or maturity of which is less than 12 months are measured at the transaction price (invoice)

3. Summary of significant accounting policies… (continued)
3.15. Financial instruments… (continued)
3.15.2. Financial liabilities … (continued)

Classification and subsequent measurement

The financial liability is measured at the amortized cost using the effective interest method in the event that the conditions previously explained above are fulfilled. These financial liabilities are subsequently measured at the depletion cost using the effective interest rate method and the amortized cost is calculated by taking into consideration any discount or premium over the acquisition and fees or costs that are deemed an integral part of the effective interest rate. The effective interest rate amortization is included within the financing income in the statement of profit or loss, and according to the International Financial Reporting Standard No. (9), the change in fair value related to changes in the credit risk of liabilities is presented in the statement of other comprehensive income, while the remainder of the change in fair value is presented in the statement of profit or loss.

Debt instruments that are classified as current liabilities are measured at the undiscounted cash or other monetary consideration that is expected to be paid unless an arrangement is formed in fact a financing transaction.

De-recognition of financial liabilities

A financial liability is de-recognized when it is discharged, canceled or expired. When replacing an existing financial liability with another from the same lender under completely different terms or when the terms of an existing liability are materially modified, such replacement or modification is treated as canceling the entry for the original financial liability with the recognition of the new liability. The difference between the related carrying values is recorded in the statement of profit or loss.

3.15.3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position only when there is a binding legal right and when the company has the intention to settle the assets and liabilities on a net basis to realize the assets and pay the liabilities simultaneously.

3.16. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account any commercial discounts, quick settlement discounts and volume discounts permitted by the company (if any).

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected to the account of a third party, such as income taxes, and value added taxes, are excluded.

When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using the implicit interest rate.

The implicit interest rate is the one that can be determined more clearly using the following:

- The prevailing rate for the same type of issued instruments having the same credit rating, or
- An interest rate that discounts the nominal value of the instrument to the current cash sale price of goods or services.

The difference between the present value of all future receipts and the nominal value of the consideration is recognized as interest income.

The company's revenues represent the followings:

3. Summary of significant accounting policies… (continued)
3.16. Revenue recognition… (continued)

Revenue from sale of goods

Revenue arising from the sale of goods is recognized and an invoice is issued when all of the following conditions are met:

1. Transferring the significant risks and benefits of commodity ownership to the buyer.
2. The company does not retain the right of continuous administrative intervention to the degree usually associated with ownership nor the right to actual control over the sold goods.
3. The amount of revenue can be measured in a reliable manner.
4. It is probable that the economic benefits associated with the transaction will flow to the company.
5. The ability to measure the costs incurred or to be borne by the company in relation to the transaction in a reliable manner.

3.17. Cost of revenue

Cost of goods sold revenue consists of the direct costs and expenses associated with getting the goods ready for the client.

3.18. Selling, marketing, general and administrative expenses

Selling and marketing expenses consist of the expenses incurred in selling and marketing the goods, which are not considered part of the cost of revenue.

General and administrative expenses consist of those that are directly related to the management and which are not considered direct costs

3.19. Board of directors' members remunerations

The total amounts paid to members of the Board of Directors include attendance of meeting fees, bonuses and expenses and are in accordance with, and within the limits, the requirements of the companies' Act, the guidelines of the Capital Market Authority, and the articles of association of the company.

3.20. Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares, where basic earnings per share is calculated by dividing the profit or loss of ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year, adjusted for the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting the company's reduced profit or loss of ordinary shareholders and the weighted average number of shares outstanding during the year for the effects of all the discounted ordinary shares that are likely to be issued.

3.21. Dividends

Dividends are recorded to the shareholders of the company upon approval of these dividends by the general assembly of shareholders in accordance with the Companies Act in the Kingdom of Saudi Arabia.

3.22. Operating segments

The business sector is a group of assets and operations associated with providing products or services that are subject to risks and returns that differ from those of other business sectors. The geographical sector includes providing products or services within a specific economic environment that are exposed to risks and returns that differ from those related to sectors operating in other economic environments.

(All amounts in Saudi Riyals unless otherwise stated)

4. Changes in significant accounting policies and the new standards

4.1. The new and amended standards that are applied but not have a material impact on the financial statements:

There are no new standards that have been applied, however, a number of amendments to the standards are effective as of January 01, 2020, but do not have a material impact on the financial statements of the company, and the following is a summary of the amendments applied by the company:

The standard –Interpretation	Description	Effective date
Conceptual framework	Amendments to the conceptual framework references in IFRSs	January 1, 2020
IFRS 3	Amendments to the standard related to definition of business	January 1, 2020
International Accounting Standard No. 1 and International Accounting Standard No. 8	Amendments to the standard related to the definition of materiality	January 1, 2020
IFRS 16	Amendments to the standard related to fare reduction related to the pandemic of COVID-19	June 1, 2020

4.2. The new and amended standards those are not effective and not applied:

The standard –Interpretation	Description	Effective date
IFRS 17	Insurance contracts	January 1, 2021
International Accounting Standard No.16	Amendments to the standard relating to Property and equipment - proceeds prior to intended use	January 1, 2022
IFRS 3	Amendments to the standard related to reference to the conceptual framework in IFRSs issued in March 2018	January 1, 2022
International Accounting Standard No. 37	Amendments to the standard related to ineffective contracts - the cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRSs for the 2018-2020session	Annual Improvements include amendments to three standards: - International Financial Reporting Standard No. 1 "First-time application of IFRSs" - IFRS 9 "Financial Instruments" - IFRS 41 "Agriculture"	January 1, 2022
IFRS 10 and IAS 28	Amendments to (sale or contribution of assets between the investor and its associate or joint venture)	Available for optional application Effective date not yet specified

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

5. Property and equipment

	Improvements on leased buildings	Motor Vehicles	Office equipment	furniture and fixtures	Tools	Total
5.1. The year ended December 31, 2020						
Cost						
Balance at January 01, 2020	457,188	2,142,361	1,654,222	1,340,147	84,610	5,678,528
Additions during the year	-	-	120,162	34,088	-	154,250
Balance at December 31, 2020	**457,188**	**2,142,361**	**1,774,384**	**1,374,235**	**84,610**	**5,832,778**
Accumulated depreciation						
Balance at January 01, 2020	411,063	2,079,981	1,472,716	1,256,983	84,609	5,305,352
Depreciation for the year (note 22)	37,810	62,380	25,429	11,669	-	137,288
Balance at December 31, 2020	**448,873**	**2,142,361**	**1,498,145**	**1,268,652**	**84,609**	**5,442,640**
Net book value	**8,315**	**-**	**276,239**	**105,583**	**1**	**390,138**
As at December 31, 2020						

	Improvements on leased buildings	Motor Vehicles	Office equipment	furniture and fixtures	Tools	Total
5.2. The year ended December 31, 2019						
Cost						
Balance at January 01, 2019	457,188	2,142,361	1,557,487	1,302,749	84,610	5,544,395
Additions during the year	-	-	96,735	37,398	-	134,133
Accumulated depreciation	**457,188**	**2,142,361**	**1,654,222**	**1,340,147**	**84,610**	**5,678,528**
Balance at January 01, 2019						
Accumulated depreciation						
Balance at January 01, 2019	357,359	1,913,628	1,456,852	1,249,481	84,599	5,061,919
Depreciation for the year (note 22)	53,704	166,353	15,864	7,502	10	243,433
Balance at December 31, 2019	**411,063**	**2,079,981**	**1,472,716**	**1,256,983**	**84,609**	**5,305,352**
Net book value						
As at December 31, 2019	**46,125**	**62,380**	**181,506**	**83,164**	**1**	**373,176**

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

6. Intangible assets

Intangible assets represent the cost of developing and establishing the SMACC program in addition to a number of applications and accounting programs.

The following is a summary of the movement of intangible assets for the year ended in:

	Software and applications	Software and applications under development	Total 31/12/2020	Total 31/12/2019
Cost:				
Balance at beginning of the year	233,728,505	6,954,150	240,682,655	228,090,005
Additions during the year	60,000	-	60,000	12,592,650
Transfers	6,954,150	(6,954,150)	-	-
Balance at end of the year	**240,742,655**	**-**	**240,742,655**	**240,682,655**
(Less) accumulated amortization				
Balance at beginning of the year	88,356,218	-	88,356,218	77,080,270
Amortization during the year	11,417,619	-	11,417,619	11,275,948
Balance at end of the year	**99,773,837**	**-**	**99,773,837**	**88,356,218**
(Less) accumulated impairment				
Balance at beginning of the year	6,670,000	-	6,670,000	25,000,000
Impairment during the year	5,000,000	-	5,000,000	-
Reversal of impairment	-	-	-	(18,330,000)
Balance at end of the year	**11,670,000**	**-**	**11,670,000**	**6,670,000**
Net book value as at end of the year	**129,298,818**	**-**	**129,298,818**	**145,656,437**

* The company conducted a study to assess the impairment of intangible assets as at December 31, 2020 and used in that study the office of Ahmed Muhammad Abdullah Al-Faraj to evaluate the economic entities (accredited evaluator license No. 4112000053 in the Saudi evaluators' Authority). Future sales, prices, annual growth rates, terminal growth rates, discount rates, and other related factors. The results of these assumptions are significantly dependent on the success of future operations.

According to management's estimates and the realization of its plans in the future based on the result of the evaluation of the impairment, this evaluation resulted in an estimate of intangible assets at the date of the financial statements at SR127.5 million, depending on the current value method of future cash flows, with a decrease of SR7.4 million in the value of intangible assets The company decided to reduce the value of intangible assets by an amount of SR5 million, as it is closer to the average estimate of the approved evaluator of the impairment, which was estimated within the study (from zero to SR14.8 million).

On December 31, 2019, the company conducted a study to assess the impairment of intangible assets and used in that study a financial consulting office (Three Dimension Financial Consulting Establishment - Commercial Registration No. 1010020790). The evaluation was based on assumptions related to future sales volume, prices, growth rates and discount rates. In addition to other related factors, the results of these assumptions significantly dependent on the success of future operations according to management estimates and the achievement of its plans in the future based on the outcome of the evaluation of the impairment. This evaluation resulted in a reversal of the impairment by an amount of SR 18.3 million.

** Intangible assets under development represent the cost of Software and applications under development under which the company's management expects the flow of future economic benefits to the company.

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

7. Inventory

	31/12/2020	31/12/2019
Software inventory (note20)	10,343,299	10,388,946
Hardware inventory (note 20)	1,851,645	2,023,036
	12,194,944	**12,411,982**

8. Trade receivables

	31/12/2020	31/12/2019
Clients	14,043,277	7,274,678
Agents' receivables	9,162,642	9,162,642
Provision for impairment of trade receivables	(8,521,392)	(8,521,392)
	14,684,527	**7,915,928**

Following is the analysis of trade receivables ageing as at December 31

	31/12/2020	31/12/2019
Up to two months	7,391,371	5,173,823
From 2 to 3 months	68,374	284,442
Above 3 months	15,746,174	10,979,055
Balance at end of the year	**23,205,919**	**16,437,320**

9. Prepaid expenses and other receivables

	31/12/2020	31/12/2019
Deposit to establish a subsidiary (9.1)	1,250,000	-
Employees' advances	393,123	383,899
Employees' imp rests	52,972	90,403
Prepaid expenses	37,351	23,573
Letter of guarantees margin	8,009	-
Advances to suppliers	5,322	5,322
	1,746,777	**503,199**

9.1. On 17/9/2020, the Board of Directors of the Arab Sea Information Systems Company issued approval to start incorporating a limited liability company based in Riyadh specialized in digital payments wholly owned by the Arab Sea Information Systems Company, after obtaining the necessary approvals from the regulatory and concerned authorities. On December 13, 2020, an amount of SR 1,250,000 was deposited under a bank account in the name of the Arabian Sea Financial Company – a limited liability - which represents a quarter of the share capital set for the incorporation of the company, and the legal procedures are in process.

10. Cash and cash equivalents

	31/12/2020	31/12/2019
Cash on hand	69,677	79,625
Banks- current accounts	3,015,427	1,476,813
	3,085,104	**1,556,438**

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

11. Share capital

	31/12/2020	31/12/2019
Balance at end of the year	**100,000,000**	**100,000,000**

The company's share capital is SR100, 000,000 divided into 10,000,000 shares with a par value of SR10 per share. The shareholders have subscribed to the entire capital of the company. There were no changes in the capital during the current financial year.

12. Statutory reserve

	31/12/2020	31/12/2019
Balance at beginning of the year	15,385,505	12,946,294
Transferred from net income of the year	-	2,439,211
Balance at end of the year	**15,385,505**	**15,385,505**

According to the company's articles of association and the Saudi Companies Act, the company must set aside every year 10% of its net income to form a statutory reserve, and this reserve may be discontinued when this reserve amounts to 30% of the share capital.

No amount has been set aside for the statutory reserve in the presented financial statements due to the realization of a net loss for the current year.

13. Employees' defined benefits obligations

The company provides a specific plan to reward the end of service for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia, and the payments under the plan are based on salaries, final allowances for employees and their accumulated years of service on the date of termination of their work. Employee benefit plans are unfunded plans that meet the company's benefit payment obligations as they fall due, and the movement during the period is as follows:

	31/12/2020	31/12/2019
Balance at beginning of the year	3,274,000	2,890,000
Cost of current service	492,000	513,000
Cost of interest	101,000	137,000
Charged to profits and losses	593,000	650,000
Paid during the year	(71,094)	(23,000)
Actuarial profits charged to other comprehensive income	(128,235)	(243,000)
Balance at end of the year	**3,667,671**	**3,274,000**

An actuarial valuation was carried out using the planned unit credit method to measure the present value of the employees' defined benefits obligations on December 31, 2020 in relation to the employee end of service benefits due under the Labor Law in the Kingdom of Saudi Arabia, and that evaluation was based on basic actuarial assumptions that included the followings: -

The most significant actuarial assumptions used

	31/12/2020	31/12/2019
Discount rate	2.9%	2.7%
Annual salary increase rate	2%	2%
Employees' turnover rate	**3-8%**	**3-8%**
Retirement age	**60 years**	**60years**

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

13. Employees' defined benefits obligations…continued

Sensitivity analysis

The sensitivity analysis is based on a method that concludes the effect on defined employee benefit obligations when a change in one of the basic actuarial assumptions occurs while keeping all other assumptions constant. The following is a sensitivity analysis of the assumptions used to measure employees' defined benefits obligations.

	31/12/2020	31/12/2019
The basis in accordance with actuarial assumptions used	3,667,671	3,274,000
Sensitivity of employees' defined benefits obligations due to change in one of the assumptions		
Discount rate (increase of rate by1%)	3,266,671	2,938,000
Discount rate (decrease of rate by1%)	4,140,671	3,676,000
Annual salary increase rate (increase of rate by1%)	4,140,671	3,248,000
Annual salary increase rate (decrease of rate by1%)	3,259,671	3,299,000

The sensitivity analysis may not represent the actual change in employees' defined benefits obligations, however, it only provides an estimate of the sensitivity of the assumptions, as it is unlikely that a change in assumptions will occur independently of one another.

14. Deferred revenue

	31/12/2020	31/12/2019
Technical support and maintenance deferred revenue	3,075,913	2,587,388
Revenue from deferred supply contracts	6,508,468	-
	9,584,381	**2,587,388**

15. Trade payables

	31/12/2020	31/12/2019
Suppliers	1,963,872	2,175,328

16. Due to related parties

Related party	Nature of relationship	31/12/2020	31/12/2019
Shareholders current account	Board of directors' members	**1,199,237**	**1,724,904**

16.1. Significant transactions with related parties

Related party	Nature of relationship	Nature of transaction	Amount of transaction
Mr. Mohamed Salih Al-Sehaibani	BOD –Chairman	Payment of expenses on behalf of related party	**261,232**

16.2. Salaries and allowances of senior executives

Senior executives are the persons who exercise authority and responsibility in planning, directing and controlling the company's activities, directly or indirectly. Salaries, wages, benefits and remunerations of board members and committees included the followings:

	31/12/2020	31/12/2019
Salaries and benefits of executive BOD members	443,455	654,000
BOD remunerations	120,000	735,000
Allowance for attending Board of Directors sessions	168,000	129,871
	731,455	**1,518,871**

(All amounts in Saudi Riyals unless otherwise stated)

17. Accrued expenses and other payable balances

	31/12/2020	31/12/2019
Employees' accruals	1,603,038	1,472,398
Accrued commissions	1,102,070	931,845
VAT payable	1,089,521	1,520,302
Social insurance	387,534	464,992
Advance payments by clients	288,833	264,003
Accrued rental	91,904	60,000
Others	151,271	96,758
	4,714,171	**4,810,298**

18. Provision for zakat

18.1. Net amended income subject to zakat

	31/12/2020	31/12/2019
Net (loss) income of the year	(13,412,372)	24,169,671
Amendments to net (loss) income of the year	593,000	(18,089,571)
Net amended income subject to zakat	**(12,819,372)**	**6,080,100**

18.2. Calculation of zakat

Approximate Zakat base of the company as at December1, 2020 consists of the following items:

	31/12/2020	31/12/2019
Net amended income	(12,819,372)	6,080,100
Add: Elements subject to zakat	166,140,380	151,335,948
Less: Elements not subject to zakat	(129,688,956)	(146,976,418)
Total zakat base	**23,632,052**	**10,439,630**
Zakat base for the year	**24,867,693**	**10,439,630**
Zakat for the year	**621,692**	**260,991**

Zakat payable is calculated on the basis of the higher of 2.5% of the Zakat base or of the adjusted net income,

Zakat has been calculated on the basis of 2.5% of the Zakat base.

18.3. Movement of provision for zakat

	31/12/2020	31/12/2019
Balance at beginning of the year	1,768,004	2,430,818
Zakat assessment differences during the year	1,472,505	-
Zakat adjustments	371,946	(240,429)
Paid during the year	(290,129)	(683,376)
Provided during the year	621,692	260,991
Balance at end of the year	**3,944,018**	**1,768,004**

18.4. Status of zakat

During the year, the General Authority for Zakat and Income Tax (GAZT) re-assessed the zakat returns for the years from 2014 to 2018, resulting in zakat differences of SR1,472,504 (note 28).

The company filed its zakat returns until the year ended December 31, 2019, and obtained a certificate valid until April 30, 2021

Notes to the financial statement for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

19. Revenue

	2020	2019
Sales of software and hardware	20,875,629	35,360,630
Technical support and maintenance revenue	3,246,874	3,326,788
	24,122,503	**38,687,418**

20. Cost of revenue

	2020	2019
Inventory of hardware at beginning of the year	2,023,036	1,652,803
Purchases of hardware during the year	929,080	1,489,636
Less: Inventory of hardware at end of the year	(1,851,645)	(2,023,036)
Cost of hardware sold	1,100,471	1,119,403
Inventory of software ready for sale at beginning of the year	10,388,946	8,690,231
Amortization of intangible assets (Note6)	11,417,619	11,275,948
Salaries, wages and benefits	5,007,856	4,444,429
Hosting and servers services	616,700	610,017
Software development expenses	-	82,560
Electricity, telephone and internet	287,848	220,971
Rent a car ,fuels and maintenance	88,248	144,918
Per diem expenses	24,855	33,837
Other direct expenses	74,197	44,278
Less: Inventory of ready-made software for sale at the end of the year (Note 7)	(10,343,299)	(10,388,946)
	18,663,441	**16,277,646**

21. Selling and marketing expenses

	2020	2019
Salaries , wages and benefits	2,536,316	3,005,241
Sales commission	2,693,928	3,093,482
Advertising	543,106	232,357
Rental	249,000	232,791
Sales incentives	168,814	95,058
Electricity, telephone and internet	159,600	144,086
Rent a car	120,492	101,231
Petty cash and miscellaneous	82,221	291,563
Motor vehicles and fuels expenses	76,656	74,095
Stationary and printings	52,854	77,889
Business trips	39,709	34,235
Maintenance and repair	25,103	45,074
Others	89,939	113,556
	6,837,738	**7,540,658**

Notes to the financial statement for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

22. General and administrative expenses

	2020	2019
Salaries, wages and benefits	2,090,961	2,491,932
Iqama and visa	883,389	771,588
Remunerations, expenses and allowances for BOD and Committee meetings	652,907	1,108,240
Rental	614,300	614,300
Employees defined benefits obligations (Note13)	593,000	650,000
Professional fees	581,712	1,092,013
Social insurance	370,948	602,044
Medication and medical insurance	246,044	303,629
Legal fines	210,946	411,956
Governmental fees and attestations	172,941	83,531
Depreciation of property and equipment (Note5)	137,288	243,433
VAT differences	123,122	273,576
Motor vehicles expenses	80,517	99,719
Maintenance and general repair	66,570	55,186
Electricity, telephone and internet	42,611	42,770
Business trips	40,727	26,229
Others	164,713	167,247
	7,072,696	**9,037,393**

23. (Loss) per share

Basic and diluted (loss) earnings per share were calculated of net (loss) attributable to shareholders amounting to (SR 15,878,515) (2019: profit SR 24,149,109) divided by weighted average number of issued shares amounting to 10,000,000share (2019: 10,000,000share) and the diluted (loss) earnings per share) was equal to the basic (loss) per share.

24. Segmentation information

The operational segment

The company's products originate in the Kingdom of Saudi Arabia, and it has only two sectors, namely, the computer programs and applications sector, and the computer hardware sector.

Neither sector has met the limits stated in IFRS 8 "Operating segments" for the disclosure of their information.

Geographical distribution of sales

The company carries out its operations in the Kingdom of Saudi Arabia, which is the main local market, and it markets its products in the United Arab Emirates through a branch in Dubai and there are no other geographical sectors other than that, and the company seeks to open new markets for its products outside the Kingdom of Saudi Arabia through agents for it in many countries, the most important of which are Egypt, Yemen, Sudan and India.

The following is a summary of the geographical distribution of sales for the year ended December 31, 2020 (compared to the year ended December 31, 2019).

	2020	2019
Local sales (Inside the Kingdom of Saudi Arabia)	23,804,014	38,507,484
Sales (Outside the Kingdom of Saudi Arabia):		
Dubai branch	318,489	179,934
	24,122,503	**38,687,418**

(All amounts in Saudi Riyals unless otherwise stated)

25. Financial instruments and risk management

The company's activities are considered exposed to various financial risks and these risks include: liquidity risk, credit risk and market risk, which consists of (currency risk, fair value risk, cash flow commission rate and price risk). The company's overall risk management program focuses on unexpected financial market fluctuations and seeks for the possibility of minimizing potential negative impacts on the company's financial performance to a minimum limit.

The company's financial instruments consist of financial assets and they represent (cash and cash equivalents, trade receivables, and other receivables) and financial liabilities represent (trade payables and other payables) and the risks include:

25.1. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in securing the funds necessary to meet its obligations in financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The company manages liquidity risk and monitors it on a regular basis to ensure that sufficient cash funds are available through bank facilities available to meet any future obligations.

The company’s terms of sales stipulate that payments are made in cash upon delivery of the goods or on a credit sale basis, according to credit terms, in which the payment period usually ranges between 30 to 180 days.

All current liabilities are expected to be paid within 12 months from the date of the financial statements. Trade payables are usually paid within 30 to 60 days from the date of purchase.

Followings are the contractual maturities of financial liabilities as at the end of the financial year:

	December 31, 2020			
	Upon request or less than one year	**From 1 year to 5 years**	**More than 5 years**	**Net book value**
Trade payables	1,963,872	-	-	1,963,872
Due to related parties	1,199,237	-	-	1,199,237
Other payables	338,996	-	-	338,996
	3,502,105	**-**	**-**	**3,502,105**

	December 31, 2019			
	Upon request or less than one year	**From 1 year to 5 years**	**More than 5 years**	**Net book value**
Trade payables	2,175,328	-	-	2,175,328
Due to related parties	1,724,904	-	-	1,724,904
Other payables	264,003	-	-	264,003
	4,164,235	**-**	**-**	**4,164,235**

25.2. Credit risk

It is the risk of financial loss that falls on the company as a result of the failure of the client or counterparty in a financial instrument to fulfill his contractual obligations. These risks arise mainly from cash at banks and receivables. The company limits its credit risk related to these receivables by setting credit limits. For each client, the outstanding receivables are monitored according to specific policies and procedures. Cash is also deposited at banks with a high credit rating.

(All amounts in Saudi Riyals unless otherwise stated)

25. Financial instruments and risk management

25.2. Credit risk… (continued)

The followings are the carrying values of financial assets that represent the maximum credit risk:

	2020	2019
Cash at banks	3,015,427	1,476,813
Trade receivables	14,684,527	7,915,927
	17,699,954	**9,392,740**

Accounts receivable are stated net of provision for impairment of trade receivables and sales discounts and returns. The company applies the simplified version of ECL measurement by grouping receivables on the basis of common credit risk characteristics and the days in which they are due.

25.3. Market risk

Market risk is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market such as foreign exchange rates, interest rates, and stock prices, which affect the company's income or the value of financial instruments it owns. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

The market risks that the company is exposed to represent the followings:

Currency risk

The risk of change in the value of financial instruments due to changes in foreign exchange rates, which affects payments and receipts in foreign currencies, as well as the valuation of assets and liabilities in foreign currencies.

The company is subject to risks of fluctuations in foreign exchange rates during its normal business cycle, and the management continuously monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

Fair value is the value at which an asset is exchanged or a liability settled between willing and willing parties to deal on the same terms and principles as in dealing with other parties. Since the company's financial statements are prepared on the basis of the historical cost method, differences may result between the book value and the fair value estimates. In the opinion of the management, the fair value of the company's financial assets and liabilities approximates its carried forward balances.

Interest rate risk (commissions)

Interest rate risk (commissions) is the risk related to the effects of fluctuations in market interest rates (commissions) on the company financial position and cash flows.

Commodity price risk

Commodity price risk is the risk associated with changes in the prices of certain commodities to which the company is exposed to by unfavorable effect on the costs and cash flows. These risks arise in commodity prices from the expected purchases of some commodities from the raw materials used by the company.

26. Comparative figures

Certain comparative figures for the previous year have been reclassified to conform to the presentation of the financial statements for this year.

27. Significant events

At the beginning of the year 2020, the novel corona pandemic (Covid-19) spread, causing disruption to business and economic activities all over the world, including the Kingdom of Saudi Arabia and the Kingdom took many precautionary measures to confront all the negative effects resulting from that pandemic.

This required the company's management to reassess the key assumptions, estimates and sources applicable to the company's financial statements for the year ended December 31, 2020.

During that year, management evaluated all effects on the company's operations and activities, and based on this evaluation, there was no need to make any material adjustments to the financial statements for the financial year ended December 31, 2020. However, given the current uncertainty, any future change in assumptions and estimates upon which results may arise, require making substantial adjustments to the book values of assets and / or liabilities in future periods, and in view of the rapid development in the current situation with the existence of uncertainty about the future, management will continue to evaluate the impact based on developments in future.

28. Events subsequent to the date of the financial statements

On 17/7/1442 H corresponding to 1/3/2021, the company obtained the approval of the General Authority for Zakat and Income Tax (GAZT) to install the remaining unpaid zakat dues in the amount of SR 2,552,326 in 6 monthly installments of SR 425,387. On the other hand, management believes that there will be no significant subsequent events since the date of the balance sheet on December 31, 2020 until the date of approval of these financial statements that may have a material impact on the financial position of the company appearing in these financial statements.

29. Approval of the financial statements

These financial statements for the year ended 12/31/2020 were approved for issuance by the company's Board of Directors on 29/3 / 2021.