ELM COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
PREVIOUSLY KNOWN AS
(AL ELM INFORMATION SECURITY COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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P.O. Box 8736, Riyadh 11492
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Elm Company
Formerly known as "Al Elm Information Security Company"
(Saudi Closed 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 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ('SOCPA").

Basis for opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 April 2021.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue from contracts with customers	
Key Audit Matter	***How our audit addressed the key audit matter***
The Group's revenue mainly consists of digital business, business process outsourcing and professional services amounting to SR 3.8 billion for the year ended 31 December 2021. We considered this as a key audit matter as the audit of revenues related to digital business are dependent on the use of information technology. In addition, to the consideration of the agent and principle according to the International Financial Reporting Standard no.15 "Revenues from Contracts with Customers" which is require the management to analyze the contracts terms and conditions to assess whether the Group is principal or agent, and this affect the Group's presentation of revenues on a gross or net basis.	Our procedures included the following: • Obtain and understanding of evaluating design and testing the operating effectiveness of the controls for a sample of the Group's revenue form digital business. • Involved our IT specialists in testing the design, implementation and effectiveness of controls related to revenue recognition for a sample of digital business revenue. • Test a sample of the reports extracted from the IT systems are used for digital business revenues and match with the amount recorded in the general ledger. • Traced sample of digital business revenue with collected amounts in the Group's bank statements. • Performed test of the revenue transactions recorded before and after the year end to ensure that revenue recognized in the appropriate period. • Tested a samples of the Group's contracts to review the related terms and challenge the management in the made judgments related to agent and principle consideration. • Reviewed the adequacy of the Group's disclosures in terms of compliance with the relevant International Financial Reporting Standards.
For more details ،Refer to notes (2 / 3-5/ 5/32)	

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<table>
<tr><th colspan="2">Expected credit losses provision for trade receivables and contract assets</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Trade receivables and contract assets balance as of 31 December 2021 are SR 2.3 billion (2020: SR 1.6 billion). Excepted credit losses provision balance as of 31 December 2021 is SR 334 million (2020: SR 245 million).

Measurement and recognition of ECL provision depends on significant judgements and estimates made by the management. The management was formed provision for some obsolete balances in particular due to the difficulty of collection.

We considered impairment of trade receivables and contract assets of the Group as a key audit matter because the assessment involves a significant degree of management judgment in determining the key assumptions such as the potential risk of default over the expected life of the financial asset.</td><td>Our procedures included the following:

• Reviewed the model used in calculating the provision for expected credit losses and checked the mathematical accuracy of the model.
• Tested the completeness and calculating validity of the ECL model.
• Reviewed significant assumptions used by management to determine the amount of expected credit losses, such as the possible risks of default over the expected life of the financial asset.

• Performed test of a sample of supporting documents and discussed with management about reasons for recording the provision and its adequacy.

• Reviewed the adequacy of the Group's disclosures in terms of compliance with the relevant International Financial Reporting Standards.</td></tr>
<tr><td colspan="2">For more details ،Refer to notes (2/3-16 /16/17/35)</td></tr>
</table>

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 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 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies, 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 have no realistic alternative but to do so.

Those Charged with Governance, in particular the Audit Committee of the Group is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

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

Riyadh, on: 14 Sha'ban 1443 (H)
Corresponding to: 17 March 2022 (G)

ELM COMPANY (PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHNSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
All amounts in Saudi Riyals

	Note	**December31, 2021**	December 31, 2020
Revenue	5	**3,827,650,269**	2,466,065,209
Cost of revenue	6	**(2,632,253,440)**	(1,629,067,132)
GROSS PROFIT		**1,195,396,829**	836,998,077
EXPENSES			
Selling and marketing	7	**(105,978,567)**	(87,350,844)
Expected credit losses	35-A	**(90,024,719)**	(35,489,335)
General and administrative	8	**(269,139,920)**	(246,937,757)
Depreciation and amortization	10 ,12 ,13	**(115,655,615)**	(111,611,334)
OPRATING PROFIT		**614,598,008**	355,608,807
Finance cost	10 ,12 , 31	**(4,783,220)**	(6,373,912)
Income from murabha Deposit		**9,013,013**	10,922,797
Share of Profit from associate	14	**3,134,668**	103,596
Change in fair value of investments through profit or loss	15	**24,694,883**	3,595,548
Other income	9	**1,963,302**	8,412,641
NET PROFIT BRFORE ZAKAT		**648,620,654**	372,269,477
Zakat	30	**(81,729,235)**	(65,690,341)
NET PROFIT		**566,891,419**	306,579,136
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of Other financial assets through other comprehensive income	15	**15,845,683**	866,732
Re-measurement of end of service benefits provision	26	**(7,014,049)**	259,675
TOTAL OTHER COMPREHENSIVE INCOME		**8,831,634**	1,126,407
TOTAL COMPREHENSIVE INCOME		**575,723,053**	307,705,543
Earnings per share:			
Basic and diluted earnings per share from operating profit	25	**7.68**	4.45
Basic and diluted earnings per share from net profit	25	**7.09**	3.83

ER

Chief Financial Officer	Chief Executive Officer	Chairman

The accompanying notes from (1) to (40) form an integral part of these consolidated financial statements

ELM COMPANY (PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
All amounts in Saudi Riyals

	Note	December 31, 2021	December 31, 2020
ASSETS			
NON –CURRENT ASSETS			
Property and equipment	10	346,560,482	373,732,417
Capital work in progress	11	58,031,644	108,538,021
Right-of-use assets	12	108,084,151	131,457,589
Intangible assets	13	165,266,727	82,978,472
Investments in associates	14	3,497,224	212,556
Other financial assets	15	120,380,541	45,444,261
TOTAL NON –CURRENT ASSETS		**801,820,769**	742,363,316
CURRENT ASSETS			
Accounts receivable	16	**1,654,806,023**	1,370,495,889
Contract assets	17	**660,298,461**	273,906,866
Prepaid expenses and other current assets	18	**123,320,561**	86,808,622
Other financial assets	15	**491,545,452**	-
Murabha deposits	19	**100,280,000**	537,968,184
Cash and cash equivalents	20	**1,362,219,462**	1,013,318,368
TOTAL CURRENT ASSETS		**4,392,469,959**	3,282,497,929
TOTAL ASSETS		**5,194,290,728**	4,024,861,245
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	21	**800,000,000**	50,000,000
Proposed increase in capital	22	**-**	450,000,000
Statutory reserve	23	**81,689,142**	25,000,000
Other reserve	24	**(26,539,451)**	(35,371,085)
Retained earnings		**1,954,509,071**	1,744,306,794
TOTAL EQUITY		**2,809,658,762**	2,233,935,709
LIABILITIES			
NON - CURRENT LIABILITIES			
Liabilities for purchasing property	10	**50,142,450**	74,255,782
Lease liabilities	12	**87,396,354**	101,534,296
End of service benefits provision	26	**263,057,441**	228,121,038
TOTAL NON - CURRENT LIABILITIES		**400,596,245**	403,911,116
CURRENT LIABILITIES			
Accounts payable	27	**249,301,715**	183,107,599
Accrued expenses and other current liabilities	28	**1,335,215,352**	834,963,692
Contract liabilities	29	**235,711,818**	227,282,520
Zakat	30	**103,465,145**	65,690,341
liabilities of purchasing property	10	**24,113,331**	23,496,470
Lease liabilities	12	**19,432,853**	28,369,057
Due to related parties	31	**16,795,507**	24,104,741
TOTAL CURRENT LIABILITIES		**1,984,035,721**	1,387,014,420
TOTAL LIABILITIES		**2,384,631,966**	1,790,925,536
TOTAL EQUITY AND LIABILITIES		**5,194,290,728**	4,024,861,245 ER

Chief Financial Officer | Chief Executive Officer | Chairman

The accompanying notes from (1) to (40) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
All amounts in Saudi Riyals

	Note	Share capital	Proposed Increase in capital	Statutory reserve	Other reserve	Retained earnings	Total equity
Balance as at January 1, 2020 "Reclassified"	37	50,000,000	-	25,000,000	(36,497,492)	1,471,059,712	1,509,562,220
Net profit for the year		-	-	-	-	306,579,136	306,579,136
Other comprehensive income		-	-	-	1,126,407	-	1,126,407
Total comprehensive income		-	-	-	1,126,407	306,579,136	307,705,543
Book value resulting from acquisition	1, 22	-	416,667,946	-	-	-	416,667,946
Transfer to proposed increase in capital	22	-	33,332,054	-	-	(33,332,054)	-
Balance as at December 31, 2020		**50,000,000**	**450,000,000**	**25,000,000**	**(35,371,085)**	**1,744,306,794**	**2,233,935,709**
Balance as at January 1, 2021		**50,000,000**	**450,000,000**	**25,000,000**	**(35,371,085)**	**1,744,306,794**	**2,233,935,709**
Net profit for the year		-	-	-	-	566,891,419	566,891,419
Other comprehensive income		-	-	-	8,831,634	-	8,831,634
Total comprehensive income		-	-	-	8,831,634	566,891,419	575,723,053
Transfer to proposed increase in capital		-	300,000,000	-	-	(300,000,000)	-
Transfer to capital		750,000,000	(750,000,000)	-	-	-	-
Transfer to statutory reserve		-	-	56,689,142	-	(56,689,142)	-
Balance as at December 31, 2021		800,000,000	-	81,689,142	(26,539,451)	1,954,509,071	2,809,658,762

ER

Chief Financial Officer

Chief Executive Officer

Chairman

ELM COMPANY (PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CAHS FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
All amounts in Saudi Riyals

	Notes	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit Before Zakat		**648,620,654**	372,269,477
Adjustments for non-cash items:			
Depreciation and amortization	10 ,12 ,13	**115,655,615**	111,611,334
Expected credit losses	35-A	**90,024,719**	35,489,335
End of service benefits provision	26	**50,008,367**	48,600,822
Finance cost	10 ,12 , 31	**4,783,220**	6,188,174
Income from murabha deposit		**(9,013,013)**	(10,922,797)
Share of profit from associate	14	**(3,134,668)**	(103,596)
Gains at fair value of financial assets through profit or loss	15	**(24,694,883)**	(3,595,548)
(Gains) / loss disposals of property and equipment	10	**(663,363)**	831
		871,586,648	559,538,032
Working capital adjustments:			
Account receivable	16	**(362,981,137)**	(214,361,695)
Contract assets	17	**(397,285,569)**	118,427,966
Prepaid expenses and other current assets	18	**(35,136,584)**	16,726,344
Accounts payable	27	**66,194,116**	43,126,123
Accrued expense and other current liabilities	28	**500,001,209**	154,409,683
Contract liabilities	29	**8,429,298**	40,649,437
Due to related parties	31	**6,482,900**	7,671,213
Cash from operations		**657,290,881**	726,187,103
Zakat paid	30	**(43,954,431)**	-
Proceeds from income from murabha deposits	19	**7,177,915**	10,013,638
End of service benefits paid	26	**(22,086,013)**	(12,682,800)
Net cash generated from operating activities		**598,428,352**	723,517,941
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabha deposits	19	**437,688,184**	194,095,111
Purchase of property and equipment and intangible assets	10 ,13	**(24,056,195)**	(23,607,815)
Proceeds from sale of property and equipment	10	**7,797,357**	2,136
Investments in associates	14	**(150,000)**	(108,960)
Investments in other financial assets	15	**(525,941,166)**	(20,785,284)
Payments for capital works in progress	11	**(70,318,339)**	(111,920,090)
Cash acquired upon the acquisition of a subsidiary	1-1	-	245,672,582
Net cash (used in) / generated from investing activities		**(174,980,159)**	283,347,680
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	10	**(32,725,725)**	(22,829,121)
Payment of liabilities for purchasing property	12	**(23,496,471)**	(22,895,389)
Finance cost paid	10 ,12	**(3,803,816)**	(4,642,421)
Payments to related parties	31	**(14,521,087)**	(14,521,087)
Dividends paid	31	-	(33,487,000)
Net cash used in financing activities		**(74,547,099)**	(98,375,018)
Net Increase in cash and cash equivalents		**348,901,094**	908,490,603
Cash and cash equivalents at the beginning of the year	20	**1,013,318,368**	104,827,765
Cash and cash equivalents at the end of the year		**1,362,219,462**	1,013,318,368

ER

Chief Financial Officer | Chief Executive Officer | Chairman

1. INFORMATION ABOUT THE COMPANY

Elm Company formerly known as (Al Elm Information Security Company) (the "Company") was incorporated in the city of Riyadh, Kingdom of Saudi Arabia as a Saudi limited liability company on Shawwal 24, 1408 AH (corresponding to June 8, 1988 AD). It has been transformed into a closed Saudi joint stock company by Royal Decree No. (M/90) dated Dhul Qi'dah 3, 1428 AH (corresponding to November 13, 2007 AD), and it is registered under Commercial Register No. 1010069210. The company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia.

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.

On January 5, 2021, the company's name was legally changed from Al Elm Information Security Company to Elm Company, according to a decision issued during the Extraordinary Assembly meeting held on November 10, 2020.

On Jumada Al-Ula 18, 1443 H (corresponding to December 22, 2021), the Capital Market Authority announced its approval of the company's request to offer 24,000,000 shares for public offering, representing 30% of the company's shares.
The company owns a branch under Commercial Registration No. 4030446307dated Jumada Al-Thani 12, 1443 AH (corresponding to December 16, 2021), in Jeddah.

Subsidiaries

- Emdad Al Khebrat Company Limited, a Limited Liability Company registered under commercial registration number 1010414975 on Rajab 22, 1435H (corresponding to May 21, 2014). The Company is wholly owned by Elm company and it's headquartered is in Riyadh. The principal activity of Emdad Al Khebrat Company is to manage call centers, service centers and to provide consultation services in the field of electronic business, operation and maintenance, import, export and sale of devices, hardware, software, systems and workforce development.
- Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010069210 on Ramadan 11, 1440H (corresponding to May 16, 2019). The Company wholly owned by Elm Company and its headquartered is in Riyadh. The principal activities of the company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores. The Company has not yet commenced its business operations.
- Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on Rabi Al Awal 8, 1441H (corresponding to November 5, 2019). The Company headquartered is in Riyadh. The Company is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The principal activity of the company is in financial services, experienced consultancy activities in the field of management and computer programming. The Company has not yet commenced its business operations.

All amounts in Saudi Riyals

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

- Umrah Company for Specialized Services, a Single Person Limited Liability Company registered under commercial registration number 1010656805 on Safar 12, 1442H (corresponding to September 30, 2020). The company is wholly owned by Elm company and it's headquartered is in Riyadh. The principal activities of the company is bus transport of passengers between the cities, catering services for Hajj and Umrah, inspection of different systems and measuring their performance, providing marketing services on behalf of others, marketing and reservation of tourist accommodation units, reception and farewell services for pilgrims. The Company has not yet commenced its business operations.

- The Saudi Company for Exchanging digital Information ("Tabadul"), a closed Saudi Joint Stock Company registered with Commercial Register No. 1010274503, 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.

  On August 2, 2020, Elm company signed a share sale and purchase agreement with the Public Investment Fund (the sole shareholder in the company) to purchase all Tabadul shares with all their rights and obligations, without cash compensation. instead Elm Company will increase it's share capital, the book value of Tabadul company was recorded as an increase in proposed capital as at December 31,2020. The acquisition did not result in goodwill. As per the Share Purchase Agreement, the economic rights and obligations are calculated as of January 1, 2020, at the book value minus Profits for the year 2019.

  This transaction has resulted in the company gaining a controlling interest over Tabadul. The company accounts for acquisitions of Common-Controlled entities using the business combination pooling of interest method.

  Move to the right and insert an underline:

Cash and cash equivalents	245,672,582
Property and equipment	24,482,756
Capital work in progress	34,179,151
Right –of- use assets	7,765,481
Intangible assets	23,371,213
Accounts receivable	48,079,063
Prepaid expenses and other debit balances	16,632,984
Murabha deposits	250,000,000
Lease liabilities- non current	(4,778,197)
End of service benefits provision	(8,080,303)
Accounts Payable	(14,281,354)
Due to related parties – long term	(12,672,085)
Due to related parties – short term	(14,521,087)
Accrued expenses and other liabilities	(143,280,995)
Lease liabilities- current	(2,414,263)
Book Value	**450,154,946**
Dividends paid	(33,487,000)
Purchase consideration in the form of increase in share capital	**416,667,946**

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

- Asdam Digital Company, a free zone company with limited liability under the Dubai Commercial Companies Law, registered under Commercial Registration No. 99019, dated Safar 9, 1443 AH (corresponding to September 16, 2021), headquartered in Dubai, and wholly owned by the Future Resources Company Limited. the main activities of the company is In consulting services, customer service, developing and providing solutions and supporting service providers for technical systems. The company has not yet operated.
- Elm Arkan Company, a Limited Liability Company Registered under commercial reiteration number 1010209530, dated Rabi' Thani 15, 1426 AH (corresponding to 23 2005), headquartered in Riyadh, and owned by 60% of Elm Company. The company's main activities is systems analysis, design and programming of special software, application development and financial technology solutions and providing Service management and control of communications and information networks, cybersecurity and the establishment of infrastructure for hosting websites on the Internet, data processing services and related activities, knowing that the company has not yet practiced its business.
- Elm Digital Payment Company Limited, a Single Person Limited Liability Company registered under commercial registration number 1010619996 on Jumada Al-Awwal 5, 1441H (corresponding to January 1, 2020), The company is wholly owned by Future Resources Company Limited and it is headquartered in Riyadh. The principal activities of the company is technology in financial services. On June 7, 2021 the commercial registration of Elm digital payments company was written off. The Company has not commenced its business operations.

2. BASIS OF PREPARATION

2.1 Accounting standards applied

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

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

2.2 Basis of consolidation

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

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

The results of subsidiaries acquired or excluded during the year are included in the consolidated statement of profit or loss and other comprehensive income from the actual acquisition date or until the actual date of disposal, as appropriate.

All inter-company balances, significant transactions, and revenue and expenses between the company and its subsidiaries are eliminated upon consolidation of the financial statements.

The non-controlling interests in the net assets of the subsidiary are determined separately from the equity of the company. Since the subsidiaries are wholly owned by the company. There are no non-controlling interest to be disclosed.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation (continued)

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 profit or loss consolidated.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for employee end of service benefits provision which has been measured at the present value of future obligations in addition to other financial assets which are measured at fair value through other comprehensive income and fair value through profit or loss.

2.4 Functional and presentation currency

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

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 (Investments at equity method of accounting)

Associates are all investees, directly or indirectly (e.g, through subsidiaries) over which the Group has 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.

The Group has recognized the investee companies that have fulfilled the above conditions in the Group's consolidated financial statements as investments in associates using the equity method.

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.

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)

Determination of control (continued)

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.

Accordingly, the Group has consolidated its investee companies, which have fulfilled the above-mentioned conditions as part of the Group's consolidated financial statements.

Principal versus agent

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

2.5.2 Using assumptions and estimates

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

2.5.2Using assumptions and estimates(continued)

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 expected credit losses provision is calculated in accordance with the accounting policy as disclosed in detail in Note 3.

When measuring the expected credit loss, the Group uses forward-looking information that depends on the assumptions of future movements of various economic factors, and how these movements affect each other. The group also uses estimates to calculate the loss ratios.

The loss on default is the estimation of the loss resulting from default, and it depends on the difference between the accrued contractual cash flows and those the Group expects to receive after taking the cash flows from the collateral and the substantial credit improvements. In addition to this, the group calculate credit losses for additional specific cases.

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

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 26.

The assumptions used to measure revenue

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

Incremental borrowing rate for leases

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

All liabilities are classified current when:

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

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

3.2 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Fair value measurement(continued)

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

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

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

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

3.3 Business Combination process for common-controlled entities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investments in associates

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

3.5 Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

3.6 Foreign currencies

Balances and foreign transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property and equipment

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets

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

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

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

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

Computer programs and platforms

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

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

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

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

3.9 Impairment of non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of non-financial assets (continued)

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

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

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

Impairment losses from continuing operations are recognized in the consolidated statement of profit or loss within expenses and in line with the function of the impaired asset.

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.

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

3.10 Cash and cash equivalents

Cash and cash equivalents are shown in the consolidated statement of financial position comprise cash at banks, cash in hand, murabha deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits as stated above after deducting bank overdrafts (if any) since it's considered an integral part of the group's cash management.

3.11 Murabha deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Dividend distribution

The Group recognizes cash or non-cash distributions to the shareholders as liabilities upon approval of the distribution and that the distribution is no longer under the groups control. According to the Companies Law in the Kingdom of Saudi Arabia, final dividends are recognized when approved by the General Assembly.

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 business sector is a group of assets and operations related to providing products or services that are subject to risks and returns that are different from those related to other business sectors, which are measured according to the reports used by the executive management.

The disclosures of the segment reports are consistent with the information reviewed by the chief operating decision maker. The enterprise discloses information about the applied measurement principles, such as the nature and effect of any differences between the measurements used in the information about the sectors from which reports are issued and those measurements used.

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 financial statements.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee end of service benefits (CONTINUED)

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

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

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

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

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

3.16 Financial instruments

A. <u>Financial assets</u>

A.1 Classification and initial Recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments(continued)

A. Financial assets (continued)

Financial asset at amortised cost

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

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

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

Financial asset at FVOCI

Equity instruments

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

Debt instruments

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

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

Financial asset at FVTPL

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments(CONTINUED)

A. Financial assets (continued)

A.2 Subsequent measurement

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

Financial asset at amortised cost

Debt Instruments

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

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

Accounts receivable and contract assets

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

Financial asset at FVTPL

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

Financial asset at FVOCI

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

A.3 De-recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments(CONTINUED)

A.4 Impairment

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

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

A.5 Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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 both to collect contractual cash flows and to sell financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments(continued)

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

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

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

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

B. Financial liabilities

B.1 Initial recognition and measurement

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

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

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

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

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

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

B.2 Subsequent measurement

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments(continued)

B. Financial liabilities (continued)

B.3 *De-recognition*

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

3.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of a similar asset for a period of time in exchange for consideration.

A. *The group as a Lessee*

Right-of-use assets

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

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

Lease liabilities

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

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease’ if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset

3.18 Zakat

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

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

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

A, New and amended standards and interpretations

- New Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- New Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March31 , 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30 ,2021 to 30 June 2022. Lessee can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

B, New and amended IFRSs not yet effective

The following IFRSs are effective for years beginning on or after January 1, 2021

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

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

- Amendments to IFRS 3, IAS 16, IAS 37

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

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

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

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

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

All amounts in Saudi Riyals

5. Revenue

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

	December 31, 2021	December 31, 2020
Digital Business	**2,102,369,815**	1,727,089,898
Business Process Outsourcing	**1,635,184,409**	652,488,583
Professional Services	**90,096,045**	86,486,728
	3,827,650,269	2,466,065,209

Revenue sources:

	December 31, 2021	December 31, 2020
Revenue from government agencies	**2,767,528,617**	1,895,495,624
Revenue from private parties	**1,060,121,652**	570,569,585
	3,827,650,269	2,466,065,209

Revenue recognition time:

	December 31, 2021	December 31, 2020
At a point in time	**2,767,528,617**	1,750,931,619
Over a period of time	**1,060,121,652**	715,133,590
	3,827,650,269	2,466,065,209

6. COST OF REVENUE

Cost of revenue is as follows:

	December 31, 2021	December 31, 2020
Salaries and employee benefits	**1,165,293,301**	905,334,872
Direct costs	**1,466,960,139**	723,732,260
	2,632,253,440	1,629,067,132

All amounts in Saudi Riyals

7. SELLING AND MARKETING EXPENSES

Selling and marketing expenses is as follows:

	December 31, 2021	December 31, 2020
Salaries and employee benefits	**83,486,302**	66,201,399
Advertising and exhibitions	**10,047,848**	10,683,843
Sadad service expenses	**6,843,475**	5,943,056
Public relations	**3,927,086**	3,721,906
Other expenses	**1,673,856**	800,640
	105,978,567	87,350,844

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

	December 31, 2021	December 31, 2020
Salaries and employee benefits	**212,215,967**	187,148,019
Consulting and professional services	**15,734,522**	18,819,941
Subscriptions and memberships	**9,246,693**	4,872,527
Contractor expenses	**7,033,216**	4,943,163
Hospitality and activities	**5,970,488**	8,783,160
Utilities and communications	**3,767,325**	4,478,167
Repair and maintenance expenses	**1,258,523**	4,656,815
Other expenses	**13,913,186**	13,235,965
	269,139,920	246,937,757

9. OTHER INCOME

Other income/(expenses) are as follows:

	December 31, 2021	December 31, 2020
Funds received from HRDF to support Saudization	**6,546,041**	4,722,212
Donations	**(5,000,000)**	-
Reversal of legal cases provision (*)	**-**	3,000,401
Others	**417,261**	690,028
	1,963,302	8,412,641

* On August 9, 2018, a legal case was raised against the Group for non-payment of rent amounts related to one of the service centers for the civil affairs project, for an amount of SR 3 million, A provision was recognized for this claim, A final appeal court has ruled in favor of the Group and this has resulted in a reversal of the provision of SR 3 million as other income.

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, 2020	25,760,000	282,753,481	67,421,246	35,631,576	105,791,799	8,171,615	525,529,717
Cost resulting from acquisition (Note 1)	8,000,000	18,325,000	1,643,596	7,168,260	-	1,738,500	36,875,356
Additions during the year	-	31,665	20,821,379	828,189	22,500	1,023,288	22,727,021
Transfer from capital work in progress	-	-	10,687,026	1,126,571	8,010,743	-	19,824,340
Disposals during the year	-	-	(235,827)	(9,729)	-	(2,700,499)	(2,946,055)
Balance as at December 31, 2020	33,760,000	301,110,146	100,337,420	44,744,867	113,825,042	8,232,904	602,010,379
Additions during the year	**-**	**214,664**	**7,963,967**	**236,853**	**10,560**	**5,801,468**	**14,227,512**
Transfer from capital work in progress	**-**	**-**	**17,130,452**	**490,755**	**-**	**-**	**17,621,207**
Disposals during the year(B)	**-**	**(7,726,233)**	**(356,056)**	**(182,336)**	**-**	**(3,051,500)**	**(11,316,125)**
Balance as at December 31, 2021	**33,760,000**	**293,598,577**	**125,075,783**	**45,290,139**	**113,835,602**	**10,982,872**	**622,542,973**
Accumulated Depreciation							
Balance as at January 1, 2020	-	15,646,421	51,190,948	27,909,342	69,921,373	6,029,206	170,697,290
Depreciation resulting from acquisition(Note 1)	-	6,597,000	1,468,036	3,669,249	-	658,315	12,392,600
Depreciation during the year	-	9,305,183	12,053,991	6,031,294	19,421,558	1,319,131	48,131,157
Disposals during the year	-	-	(232,858)	(9,729)	-	(2,700,498)	(2,943,085)
Balance as at December 31, 2020	-	31,548,604	64,480,117	37,600,156	89,342,931	5,306,154	228,277,962
Depreciation during the year	-	**9,060,406**	**19,795,820**	**2,589,208**	**18,491,415**	**1,949,811**	**51,886,660**
Disposals during the year	-	**(663,363)**	**(354,989)**	**(182,348)**	**-**	**(2,981,431)**	**(4,182,131)**
Balance as at December 31, 2021	-	**39,945,647**	**83,920,948**	**40,007,016**	**107,834,346**	**4,274,534**	**275,982,491**
Net book value:							
As at December 31, 2021	**33,760,000**	**253,652,930**	**41,154,835**	**5,283,123**	**6,001,256**	**6,708,338**	**346,560,482**
As at December 31, 2020	33,760,000	269,561,542	35,857,303	7,144,711	24,482,111	2,926,750	373,732,417

All amounts in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(A) During year 2011, ELM Information Security 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 of purchasing a property consist of the following:

	December 31, 2021	December 31, 2020
Liabilities of purchasing a property - non current	**50,142,450**	74,255,782
Liabilities of purchasing a property – current	**24,113,331**	23,496,470
	74,255,781	97,752,252

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

	December 31, 2021	December 31, 2020
Finance cost	**2,816,775**	3,411,390

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

Year	**Value**
First year	26,062,795
Second year	26,062,795
Third year	26,062,795
	78,188,385

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

11. CAPITAL WORK IN PROGRESS

Payments for capital work in progress of electronic platforms and products is as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**108,538,021**	48,147,079
Net result of acquisition (note 1)	**-**	34,179,151
Additions	**70,318,339**	121,321,653
Transferred to property and equipment (note 10)	**(17,621,207)**	(19,824,340)
Transferred to intangible assets (note 13)	**(103,203,509)**	(65,883,959)
Disposals during the year	**-**	(9,401,563)
Balance year end	**58,031,644**	108,538,021

All amounts in Saudi Riyals

12. RIGHT -OF- USE ASSETS

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

	Buildings and land	**Printers**	**Vehicles**	**Total**
Balance as at January 1, 2020	150,602,150	1,848,867	1,458,936	153,909,953
Resulting from acquisition(Note 1)	7,765,481	-	-	7,765,481
Additions during the year	7,427,586	-	-	7,427,586
Depreciation during the year	(35,514,347)	(672,148)	(1,458,936)	(37,645,431)
Balance as at 31 December 2020	130,280,870	1,176,719	-	131,457,589
Additions during the year	**9,651,580**	**-**	**-**	**9,651,580**
Depreciation during the year	**(32,352,870)**	**(672,148)**	**-**	**(33,025,018)**
Balance as at December 31, 2021	**107,579,580**	**504,571**	**-**	**108,084,151**

The lease liability consists of the following:

	December 31, 2021	December 31, 2020
Lease liabilities- non current	**87,396,354**	101,534,296
Lease liabilities- current	**19,432,853**	28,369,057
	106,829,207	129,903,353

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

The table includes both interest and principal cash flows:

	Buildings and land	**Printers**	**Total**
First year	19,984,769	522,726	20,507,495
Second year	14,621,001	-	14,621,001
Third year	2,821,703	-	2,821,703
Forth year	3,603,125	-	3,603,125
Fifth year	2,753,125	-	2,753,125
More than five year	79,749,772	-	79,749,772
	123,533,495	522,726	124,056,221

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

	December 31, 2021	December 31, 2020
Finance cost	**1,237,492**	1,738,828

All amounts in Saudi Riyals

13. INTANGIBLE ASSETS

	December 31, 2021	December 31, 2020
Cost		
Balance at the beginning of the year	**345,055,898**	131,831,189
Cost resulting from acquisition (note 1)	**-**	146,459,956
Transferred from capital work in progress (note 11)	**103,203,509**	65,883,959
Additions during the year	**9,828,683**	880,794
Cost at the end of the year	**458,088,090**	345,055,898
Accumulated amortization		
Balance at the beginning of the year	**(262,077,426)**	(113,153,937)
Accumulated amortization resulting from acquisition (note 1)	**-**	(123,088,743)
Amortization during the year	**(30,743,937)**	(25,834,746)
Accumulated amortization at the end of the year	**(292,821,363)**	(262,077,426)
Net Book Value at the end of the year	**165,266,727**	82,978,472

14. INVESTMENTS IN ASSOCIATES

		Ownership share percentage	
Associate company name	***Country of Origin/ place of operations***	**December 31, 2021**	December 31, 2020
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 6 million Saudi riyals divided into SR 60 thousand , representing an equity investment, according to which the group obtained an ownership percentage representing 30% of the company, and an advance payment for future ownership rights in the company representing the remaining amount of SR 5.94 million .

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 4,900,000 million, divided into SR 49,000, representing an equity investment, according to which the group obtained an ownership percentage representing 24% of the company, and an advance payment for future ownership rights in the company representing the remaining SR 4.85 million.

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 is 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. Except that the company has not started its business yet.

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**212,556**	-
Additions during the year	**150,000**	108,960
Share in results of associates	**3,134,668**	103,596
Balance at the end of the year	**3,497,224**	212,556

15. OTHER FINANCIAL ASSETS

The group's other financial assets balances consist of:

	December 31, 2021	December 31, 2020
Financial assets at FVTPL		
Money Market Funds (A)	**491,545,452**	-
Advance payment for future equity (B)	**16,385,703**	23,140,538
	507,931,155	23,140,538
Financial assets at FVTOCI		
Unquoted equity investments (C)	**103,994,838**	22,303,723
	611,925,993	45,444,261
Other financial assets are presented in the statement of financial position as follows:		
Current	**491,545,452**	-
Non-current	**120,380,541**	45,444,261
	611,925,993	45,444,261

All amounts in Saudi Riyals

15. OTHER FINANCIAL ASSETS (CONTINUED)

A) An investment in money market funds represents an investment in a public murabaha fund, aimed at achieving low-risk returns for unit holders while preserving capital and providing liquidity, and there were fair value gains through profit or loss included within the second fair value level in the amount of SR 1,5 million .

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 their fair value has been determined using different methods as cash flow models and multiples methods.

C) Investments in unquoted equity represent venture capital investments for companies operating in the information technology sector in Saudi Arabia and abroad, and their fair value has been determined using various methods such as multipliers and investment rounds.

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**45,444,261**	20,196,697
Additions during the year	**525,941,166**	20,785,284
Gains financial assets at FVTPL	**24,694,883**	3,595,548
Gains financial assets at FVTOCI	**15,845,683**	866,732
Balance at the end of the year	**611,925,993**	45,444,261

16. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2021	December 31, 2020
Government receivables*	**1,224,653,696**	1,079,622,741
Trade receivables	**693,369,225**	475,419,043
	1,918,022,921	1,555,041,784
Expected credit losses provision	**(263,216,898)**	(184,545,895)
	1,654,806,023	1,370,495,889

*Government receivables balance includes an amount for the Public Investment Fund of SR 48.5 million (2020:SR 24.3 million) as in Note 31.

All amounts in Saudi Riyals

16. ACCOUNTS RECEIVABLE (CONTINUED)

Account receivable ageing is as follows:

	December 31, 2021		December 31, 2020	
	Government	**Private**	Government	Private
0-90 days	**428,806,570**	**254,248,034**	388,315,404	287,301,629
91-180 days	**68,264,549**	**110,725,094**	81,414,336	29,226,888
181-365 days	**97,877,587**	**111,680,930**	64,167,595	40,722,881
More than 365 days	**629,704,990**	**216,715,167**	545,725,406	118,167,645
	1,224,653,696	**693,369,225**	1,079,622,741	475,419,043

The movement of expected credit losses provision is as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**184,545,895**	174,521,121
Resulting from acquisition (note 1)	**-**	1,979,093
Provision for the year (note 35-A)	**79,838,252**	8,045,681
Reversal for the year	**(1,167,249)**	-
Balance at the end of the year	**263,216,898**	184,545,895

17. CONTRACT ASSETS

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

Contract assets consists of the following:

	December 31, 2021	December 31, 2020
Government contract assets	**695,977,283**	308,461,643
Trade contract assets	**35,268,742**	25,498,813
	731,246,025	333,960,456
Expected credit losses provision	**(70,947,564)**	(60,053,590)
	660,298,461	273,906,866

The movement of expected credit losses is as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**60,053,590**	33.306,711
Provision for the year (note 35-A)	**10,893,974**	26,746,879
Balance at the end of the year	**70,947,564**	60,053,590

All amounts in Saudi Riyals

18. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consists of the following:

	December 31, 2021	December 31, 2020
Prepaid expenses	**48,868,887**	33,911,649
Deferred costs	**44,291,639**	24,330,173
Employees receivable	**18,275,169**	19,184,194
Accrued Murabha deposit income	**1,933,161**	909,159
Other	**9,951,705**	8,473,447
	123,320,561	86,808,622

19. MURABHA DEPOSITS

The balance of long-term murabha deposits consists of long-term deposits with a term of more than twelve months. The average commission is 1.4% annually (2020: 1.21% annually), and the consolidated statement of profit or loss and other comprehensive income has been charged with a total deposit income of SR 9.0 million during the year ended December 31, 2021(SR 10.9 million during the year ended December 31, 2020). All murabaha deposits mature within one year.

20. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consists of the following:

	December 31, 2021	December 31, 2020
Cash at banks	**86,676,813**	247,918,068
Short term murabaha deposits *	**1,275,542,649**	765,400,300
	1,362,219,462	1,013,318,368

*The balance of short-term murabaha deposits consists of short-term deposits of three months and less. The average commission is 1,4 % annually.

** The company has a balance of 135 million riyals restricted in its bank accounts, which has not been recorded within the group's assets, as this amount relates to services in which the company links them to technical systems for the purpose of transferring them between the parties benefiting from these services.

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 (2020: 5,000,000 shares with a par value of 10 Saudi riyals per share).

All amounts in Saudi Riyals

22. PROPOSED INCREASE IN SHARE CAPITAL

During the year 2020, the Extraordinary General Assembly approved an increase in the company's capital by 450,000,000 ordinary shares, and during the first quarter for the year 2021, the group issued 45,000,000 additional shares at a nominal value of 10 SAR per share.

On June 20, 2021, the assembly agreed to increase the company's capital by SR 300,000,000 by transferring it from the retained earnings by issuing an additional 30,000,000 shares with a nominal value of SR 10. The statutory procedures for increasing the capital were completed on July 1, 2021.

23. STATUTORY RESERVE

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

24. OTHER RESERVES

Other reserves consist of the following:

	December 31, 2021	December 31, 2020
Employees end of service benefits remeasurement		
Opening balance	**(37,970,704)**	(38,230,379)
(Losses)/gains remeasurement	**(7,014,049)**	259,675
	(44,984,753)	(37,970,704)
Other financial assets revaluation reserve		
Opening balance	**2,599,619**	1,732,887
Gains from remeasurement	**15,845,683**	866,732
	18,445,302	2,599,619
Total other reserves	**(26,539,451)**	(35,371,085)

All amounts in Saudi Riyals

25. EARNINGS PER SHARE

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

	December 31, 2021	December 31, 2020
Operating profit for the year	**614,598,008**	355,608,807
Net income for the year	**566,891,419**	306,579,136
Number of Shares		
Weighted average number of shares for calculation purposes		
Basic and diluted earnings per share (a)	**80,000,000**	80,000,000
Earnings per share based on the profit for the period attributable to the shareholder of the company		
From operating profit	**7.68**	4.45
From income for the year	**7.09**	3.83

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

All amounts in Saudi Riyals

26. END OF SERVICES BENEFITS PROVISION

	December 31, 2021	December 31, 2020
Financial assumptions:		
Discount rate	**%2.15 - %2.40**	%2.20 - %1.50
Salary increase rate	**%8.00 - %5.00**	%8.00 - %5.00

Employee end of service benefits provision movement in present value:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**228,121,038**	184,382,388
Net resulting from acquisition (note 1)	**-**	8,080,303
Current service cost	**45,767,793**	42,669,687
Current service financing cost	**4,836,748**	6,859,155
Cost transfer	**(596,174)**	(928,020)
Benefits paid	**(22,086,013)**	(12,682,800)
Actuarial losses /(gains) arising from the liability	**7,014,049**	(259,675)
Balance at the end of the year	**263,057,441**	228,121,038

Following are sensitivity analysis for the actuarial assumptions:

		December 31, 2021		December 31, 2020	
	Rate change	**Increase**	**Decrease**	Increase	Decrease
Discount rate	1%	**(22,850,300)**	**25,726,246**	(21,659,636)	25,726,246
Increase salary rate	1%	**26,882,060**	**(23,469,997)**	25,900,660	(22,220,456)
Employee turnover rate	10%	**(3,185,249)**	**3,450,971**	(2,758,826)	2,970,074

All amounts in Saudi Riyals

27. ACCOUNTS PAYABLE

Accounts payable are amounts due to suppliers that have not been paid up to the date of the consolidated financial statements. These liabilities resulted from transactions with suppliers linked to the Group's operations and capital expansions. It is expected that the outstanding amounts will be paid to suppliers within a period of less than one year.

28. ACCRUED EXPENSES AND OTHER CURRENT LIABILITES

Accrued expenses and other current liabilities are as follows:

	December 31, 2021	December 31, 2020
Income sharing accruals	**418,179,490**	131,207,572
Contractual cost	**411,965,675**	337,262,446
Employee accruals	**253,325,121**	187,541,074
Advance from customers	**179,049,660**	88,794,120
Incentives & marketing	**28,892,316**	23,614,159
Litigation provision(*)	**15,851,258**	15,851,258
Retention payable	**9,510,414**	10,346,427
VAT	**9,084,019**	33,205,481
Others	**9,357,399**	7,141,155
	1,335,215,352	834,963,692

* In the normal course of business, the Group is a party to legal cases either as a plaintiff or defendant. As on December 31, 2021, the Group recorded a provision against legal cases in the amount of SR 15.8 million (December 31, 2020: SAR 15.8 million), which is the best estimate of management. over the provisions of these issues and management does not expect that there will be any additional liability over the amount recorded as a provision for these issues.

29. CONTRACT LIABILITIES

The contract liabilities represent revenue received in advance for contracts that the Group has not completed or has not realized revenue until the date of the consolidated financial statements These revenues are expected to be realized in later periods.

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 2020, 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 fiscal years 2018, 2019G, 2020G and 2021G. The Group underwent a tax examination for the years 2018, 2019 and 2020, and the process of examining tax returns submitted for these years was closed and did not result in any tax differences.

30-2 Zakat Base

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

	December 31, 2021	December 31, 2020
Capital at beginning of the year	**50,000,000**	50,000,000
Additions:		
Retained earnings, reserves and provisions - beginning of the year	**1,744,306,796**	1,434,562,220
Transferred to capital	**450,000,000**	-
Proposed increase in capital	**-**	416,667,946
Provision and reserves	**440,960,200**	414,586,814
Accounts payable and other liabilities	**486,633,252**	506,423,876
Net adjusted profit	**819,513,117**	465,574,278
Total adjusted equity	**3,991,413,365**	3,287,815,134
Disposals:		
Net property (adjusted) and investments	**(796,069,228)**	(731,088,013)
Total adjusted disposals	**(796,069,228)**	(731,088,013)
Zakat base	**2,375,831,020**	2,091,152,843
Zakat base during the year	**3,269,169,395**	2,627,613,658
2.5% Zakat from the zakat base during the year	**81,729,235**	65,690,341

30-3 Zakat Provision

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**65,690,341**	-
Charge during the year	**81,729,235**	65,690,341
Paid during the year	**(43,954,431)**	-
	103,465,145	65,690,341

All amounts in Saudi Riyals

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of the shareholder of The Group, associates and affiliate companies, directors and senior management employees of The Group. The terms and conditions of these transactions are approved by The Group's management. In accordance with the normal circumstances of transactions, The Group conducts transactions with related parties including dealing with the Public Investment Fund (the main shareholder), members of the Board of Directors, executives and other companies owned by the Public Investment Fund or members of the Board of Directors of those companies. All of these transactions are carried out according to the terms agreed by the management of The Group. During the year, The Group conducted transactions with the following related parties:

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

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 ended December 31:

	December 31, 2021	December 31, 2020
Transactions with the shareholder		
Service revenue	**44,278,595**	26,248,524
Dividends paid	**-**	33,487,000
Unifonic company		
Services cost	**39,717,754**	19,561,849
Smart national Solution		
Services cost	**8,505,614**	173,250
Transaction with board of directors and senior executive managers		
Salaries and benefit	**23,028,824**	22,537,340
Remunerations and allowances	**17,522,788**	12,914,366
End of service indemnity	**2,625,532**	1,664,641
Balances		
Due from related parties is included in Government receivables and prepayment and other current assets	**56,072,372**	24,289,551
Due to Related Parties		
Loan from Public Investment Fund (1)	-	13,895,778
Unifonic Company	**12,895,453**	8,092,751
Smart National Solution Company	**1,913,554**	129,712
Dividends payable	**1,986,500**	1,986,500
	16,795,507	24,104,741

(1) Represents an interest-free financing payment agreement between the Public Investment Fund and the exchange company "a subsidiary company", knowing that there is an amount of SR 0.7 million for the year ending on December 31, 2021 (December 31, 2020: SR 1.2 million) that appears under the financing expenses item in the consolidated statement of profit or loss Concerning the loan, the loan was paid in full during the first half of the year 2021.

32. SEGMENT INFORMATION

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

The company is one of the leading companies providing integrated digital solutions, especially in the field of transition to e-government. The company offers a wide range of ready-made digital solutions specialized in many fields through diverse and flexible business models that suit the desires of customers. The ready-made solutions include products that serve a wide range of customers, which they can subscribe to through various packages that suit each customer and his needs. While the projects include specialized solutions that the company provides to its clients according to their needs. The company's business includes the following:

1- Digital Business: They are ready-to-use solutions in the form of technical services, portals, electronic applications, and related support work, which were developed by the company in cooperation with a large number of facilities in the public and private sectors with the aim of creating integrated services that cover a large segment of society, by creating advanced services that contribute to solving An existing problem or filling an existing service gap, by converting traditional procedures into electronic transactions. In addition to integrated technology businesses, entitlement engines and digital platforms, The Group provides integrated technology business solutions to clients from the public and private sectors.
2- Business Process Outsourcing: The Group seeks through business attribution solutions to enhance its competitive advantage in the field of operation and service provision in the areas of competence; And that is through the management and the total operation of services, or partial support for them in specific areas, and their progression towards a digital vision.
3- Professional Services: These include advisory services and professional services in data analysis and artificial intelligence, through which The Group understands the problems of the facility and develops a comprehensive

All amounts in Saudi Riyals

32. SEGMENT INFORMATION(CONTINUED)

The selected financial data for these sectors follows:

	December 31, 2021	December 31, 2020
Revenue		
Digital Business	**2,102,369,815**	1,727,089,898
Business Process Outsourcing	**1,635,184,409**	652,488,583
Professional Services	**90,096,045**	86,486,728
	3,827,650,269	2,466,065,209
Cost		
Direct cost	**(2,632,253,440)**	(1,629,067,132)
Operating expenses (except depreciation and amortization, ECL)	**(375,118,487)**	(334,288,601)
ECL	**(90,024,719)**	(35,489,335)
Depreciation & Amortization	**(115,655,615)**	(111,611,334)
Other income	**34,022,646**	16,660,670
Zakat	**(81,729,235)**	(65,690,341)
	(3,260,758,850)	(2,159,486,073)
Net Profit	**566,891,419**	306,579,136

Below is a breakdown of gross profit by segments:

	December 31, 2021	December 31, 2020
Digital Business	**703,693,924**	727,816,413
Business Process Outsourcing	**502,542,014**	115,147,656
Professional Services	**(10,839,109)**	(5,965,992)
	1,195,396,829	836,998,077

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

	December 31, 2021	December 31, 2020
Assets		
Digital Business	**2,853,008,836**	2,818,780,774
Business Process Outsourcing	**2,219,017,574**	1,064,925,615
Professional Services	**122,264,318**	141,154,856
	5,194,290,728	4,024,861,245
Liabilities		
Digital Business	**1,309,501,802**	1,254,260,994
Business Process Outsourcing	**1,018,506,314**	473,855,461
Professional Services	**56,118,069**	62,809,081
	2,384,126,185	1,790,925,536

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 of 401 million Saudi riyals as on December 31, 2021 (December 31, 2020 : 401 million Saudi riyals). The Group has utilized some of those facilities agreements to issue bank guarantees for it's projects as disclosed in note 34.

34. CONTINGENT LIABILTIES

The Group has outstanding bank letters of guarantee amounting to SAR 38 million as of December 31, 2021 (December 31, 2020: SR 66.7 million). The Group also has operating and capital commitments of SR 538 million (December 31, 2020: SR 439 million).

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 receivables and contract assets represent the maximum exposure to credit risk.

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35. RISK MANAMGMENT(CONTINUED)

A. Credit risk(CONTINUED)

The movement in the provision for impairment in respect of trade receivables, contract assets and employee receivables during the year, is as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	**245,296,260**	207,827,832
Result of acquisition (note 1)	**-**	1,979,093
Provision for accounts receivable (note 16)	**79,838,252**	8,045,681
Provision for contract assets (note 17)	**10,893,974**	26,746,879
Provision for employee	**459,742**	696,775
Reversal of provision during the year (note 16)	**(1,167,249)**	-
Balance at the Ending of the year	**335,320,979**	245,296,260

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

	Account Receivable		Contract Assets	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Government	**1,224,653,696**	1,079,622,741	**695,977,283**	308,461,643
Private	**693,369,225**	475,419,043	**35,268,742**	25,498,813
	1,918,022,921	1,555,041,784	**731,246,025**	333,960,456

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

Government receivables

	As of December 31, 2021		As of December 31, 2020	
	Book value	**ECL**	Book value	ECL
Low risk	**1,141,476,792**	**900,959**	1,048,446,761	740,446
Loss	**83,176,904**	**83,176,904**	31,175,980	31,175,980
	1,224,653,696	**84,077,863**	1,079,622,741	31,916,426

Trade Account Receivable

	As of December 31, 2021		As of December 31, 2020	
	Book value	**ECL**	Book value	ECL
1-90 days	**254,248,034**	**178,766**	287,301,629	-
91-180 days	**110,725,094**	**3,479,143**	29,226,888	10,225,271
181 - 365 days	**111,680,930**	**15,811,500**	40,722,881	28,143,776
More than 365 days	**216,715,167**	**159,669,626**	118,167,645	114,260,422
	693,369,225	**179,139,035**	475,419,043	152,629,469

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35. RISK MANAMGMENT(CONTINUED)

A. Credit risk(CONTINUED)

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

Government Contract Assets

	As of December 31, 2021		As of December 31, 2020	
	Book value	**ECL**	Book value	ECL
Low risk	**638,753,630**	**455,800**	257,437,704	423,412
Loss	**57,223,653**	**57,223,653**	51,023,939	51,023,939
	695,977,283	**57,679,453**	308,461,643	51,447,351

Trade Contract Assets

	As of December 31, 2021		As of December 31, 2020	
	Book value	**ECL**	Book value	ECL
Low risk	**22,000,631**	**-**	16,892,574	-
Loss	**13,268,111**	**13,268,111**	8,606,239	8,606,239
	35,268,742	**13,268,111**	25,498,813	8,606,239

The amount of provision for credit loss also includes provisions related to employee receivables in the amount of SR 1,165,517 as on December 31, 2021 (December 31, 2020: SR 696,775).

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

Low value financial assets

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

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

Definition of default

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

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

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

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.

All amounts in Saudi Riyals

35. RISK MANAMGMENT(CONTINUED)

B. Liquidity risk

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

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

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

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

	December 31, 2021			
	Within one year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Accrued expenses and other current liabilities	712,777,545	-	-	712,777,545
Accounts Payable	249,301,715	-	-	249,301,715
liabilities of purchasing property	26,062,795	52,125,590	-	78,188,385
Due to related parties	16,795,507	-	-	16,795,507
Lease liabilities	20,507,495	23,798,954	79,749,772	124,056,221
	1,025,445,057	75,924,544	79,749,772	1,181,119,373

	December 31, 2020			
	Within one year	Between 1 and 5 years	More than 5 years	Total
Accrued expenses and other current liabilities	591,969,587	-	-	591,969,587
Accounts Payable	183,107,599	-	-	183,107,599
liabilities of purchasing property	26,062,795	78,188,385	-	104,251,180
Due to related parties	24,104,741	-	-	24,104,741
Lease liabilities	28,369,057	38,748,756	82,502,897	149,620,710
	853,613,779	116,937,141	82,502,897	1,053,053,817

35. RISK MANAMGMENT(CONTINUED)

C- Credit risk

Managing the risks of fluctuation in currency exchange rates

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

interest rate risk

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

Interest Rate Sensitivity Analysis

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

On December 31, 2021, if the rate group’s short-term deposit rates were 50 basis points higher/lower with all other variables held constant, the profit for the year would be SR 6.8 million higher/lower, as a primary result of higher interest income/ Low on variable rate deposits (2020: SR6.5 million).

D - Capital management

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

All amounts in Saudi Riyals

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2021						
	Book value			Fair value			
	At fair value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	611,925,993	-	611,925,993	-	491,545,452	120,380,541	611,925,993
Trade receivables	-	1,654,806,023	1,654,806,023	-	-	-	1,654,806,023
Prepaid expenses and other current assets	-	27,766,080	27,766,080	-	-	-	27,766,080
Murabha deposits	-	100,280,000	100,280,000	-	-	-	100,280,000
Cash and cash equivalents	-	1,362,219,462	1,362,219,462	-	-	-	1,362,219,462
Total	611,925,993	3,145,071,565	3,756,997,558	-	491,545,452	120,380,541	3,756,997,558
Financial liabilities							
Accounts payable	-	249,301,715	249,301,715	-	-	-	249,301,715
Due to related parties	-	16,795,507	16,795,507	-	-	-	16,795,507
Accrued expenses and other liabilities	-	712,777,545	712,777,545	-	-	-	712,777,545
liabilities of purchasing property	-	74,255,781	74,255,781	-	-	-	74,255,781
Lease liabilities	-	106,829,207	106,829,207	-	-	-	106,829,207
Total	-	1,159,959,755	1,159,959,755	-	-	-	1,159,959,755

All amounts in Saudi Riyals

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31 ,2020						
	Book value			Fair value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	**Total**
Financial assets							
Other financial assets	45,444,261	-	45,444,261	-	-	45,444,261	45,444,261
Trade receivables	-	1,370,495,889	1,370,495,889	-	-	-	1,370,495,889
Prepaid expenses and other current assets	-	20,093,353	20,093,353	-	-	-	20,093,353
Murabha deposits	-	537,968,184	537,968,184	-	-	-	537,968,184
Cash and cash equivalents	-	1,013,318,368	1,013,318,368	-	-	-	1,013,318,368
Total	45,444,261	2,941,875,794	2,987,320,055	-	-	45,444,261	2,987,320,055
Financial liabilities							
Accounts payable	-	183,107,599	183,107,599	-	-	-	183,107,599
Due to related parties	-	24,104,741	24,104,741	-	-	-	24,104,741
Accrued expenses and other liabilities	-	591,969,587	591,969,587	-	-	-	591,969,587
liabilities of purchasing property	-	97,752,252	97,752,252	-	-	-	97,752,252
Lease liabilities	-	129,903,353	129,903,353	-	-	-	129,903,353
Total	-	1,026,837,532	1,026,837,532	-	-	-	1,026,837,532

All amounts in Saudi Riyals

37. COMPARATIVE FIGURES

Reclassification

Certain figures for the comparative year have been reclassified to conform to the current year's presentation of the consolidated financial statements.

During the year ended December 31, 2021, The Group reclassified some items of equity, by reclassifying the reserves resulting from the re-measurement of defined employee benefit obligations and the re-measurement of investments through other comprehensive income, from retained earnings to other reserves, in addition to a reclassification of Some items in the statement of financial position, and the details are as follows:

	December 31, 2020	Reclassification	Balance after reclassification
Asset			
Other financial assets- non current	34,272,554	11,171,707	**45,444,261**
Other financial assets- current	11,171,707	(11,171,707)	**-**
Contract assets	269,127,254	4,779,612	**273,906,866**
Prepaid expenses and other current assets	79,917,932	6,890,690	**86,808,622**
	394,489,447	11,670,302	**406,159,749**
Equity			
Other reserves	-	(36,497,492)	**(36,497,492)**
Retained earnings	1,434,562,220	36,497,492	**1,471,059,712**
	1,434,562,220	-	**1,434,562,220**
Liability			
Accounts payable	226,711,828	(43,604,229)	**183,107,599**
Accrued expense and other current liabilities	779,689,161	55,274,531	**834,963,692**
	1,006,400,989	11,670,302	**1,018,071,291**

• An amount of SR 11,670,302 represents assets that were presented in the opposite to its nature shown in the liabilities items.

In addition to the above, there was a reclassification of some items to the statement of profit or loss, as shown below:

	December 31, 2020	Reclassification	Balance after reclassification
Direct cost	1,639,490,588	(10,423,456)	**1,629,067,132**
Selling and marketing expense	76,927,388	10,423,456	**87,350,844**

The above classification has no effect on The Group's net assets.

38. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

As of the date of preparing these consolidated financial statements, The Group's operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on The Group's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

39. SUBSEQUENT EVENTS

On Jumada Al Thani 15 1443 AH (corresponding to February 16, 2022), the company listed its shares on the Saudi Stock Exchange ("Tadawul").

40. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on Shaban 8, 1443 (corresponding to March 12, 2022).