SAUDI AZM FOR COMMUNICATION AND INFORMATION TECHNOLOGY COMPANY AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REVIEW REPORT

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

SAUDI AZM FOR COMMUNICATION AND INFORMATION TECHNOLOGY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 DECEMBER 2022

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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Independent auditor's review report on the interim condensed consolidated financial statements
To the Shareholders of Saudi AZM For Communication and Information Technology Company
(A Saudi Joint Stock company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi AZM For Communication and Information Technology Company - a Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 December 2022, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young
Professional Services

Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

Riyadh: 21 Rajab 1444H
(12 February 2023)

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CR 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 DECEMBER 2022

	Notes	*31 December 2022 (Unaudited) SR*	*30 June 2022 (Audited) SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		**7,173,368**	7,109,744
Right-of-use asset		**8,965,878**	9,577,188
Intangible assets		**645,657**	471,854
Investment in an associate	6	**2,825,695**	1,891,258
Investment in finance lease		**4,865,280**	5,201,280
Financial assets at fair value through other comprehensive income		**1,883,524**	1,883,524
TOTAL NON-CURRENT ASSETS		**26,359,402**	26,134,848
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	**34,226,359**	17,000,000
Amounts due from related parties	8	**-**	178,993
Contract assets	9	**14,330,891**	13,442,711
Trade receivables	10	**27,550,762**	11,203,046
Prepayments and other current assets		**11,598,555**	12,415,235
Bank balances		**16,750,909**	27,221,636
TOTAL CURRENT ASSETS		**104,457,476**	81,461,621
TOTAL ASSETS		**130,816,878**	107,596,469
EQUITY AND LIABILITIES			
Share capital	11	**30,000,000**	30,000,000
Treasury stock	12	**(5,359,126)**	-
Statutory reserve		**3,615,717**	3,615,717
Retained earnings		**29,473,737**	18,220,161
Equity attributable to equity holders of the parent		**57,730,328**	51,835,878
Non-controlling interest		**307,428**	(15,439)
TOTAL EQUITY		**58,037,756**	51,820,439
NON-CURRENT LIABILITIES			
Employees' defined benefits liabilities		**3,908,748**	3,662,919
Lease liabilities		**10,229,472**	10,866,708
Accruals and other liabilities – non-current		**1,051,427**	1,186,501
TOTAL NON-CURRENT LIABILITIES		**15,189,647**	15,716,128
CURRENT LIABILITIES			
Current portion of long-term loan		**680,789**	2,012,606
Current portion of lease liabilities		**2,251,800**	2,251,800
Contract liabilities	9	**24,710,838**	9,910,860
Amounts due to related parties	8	**7,068,079**	-
Zakat provision	13	**2,195,121**	1,581,198
Accruals and other liabilities - current		**17,472,941**	13,110,829
Trade payable		**3,209,907**	11,192,609
TOTAL CURRENT LIABILITIES		**57,589,475**	40,059,902
TOTAL LIABILITIES		**72,779,122**	55,776,030
TOTAL EQUITY AND LIABILITIES		**130,816,878**	107,596,469

Chief Financial Officer	**Chief Executive Officer**	**Chairman, Board of Directors**

SAUDI AZM FOR COMMUNICATION AND INFORMATION TECHNOLOGY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMEBER 2022

	Notes	***31 December 2022 SR***	*31 December 2021 SR*
Revenue	9	**102,920,587**	73,251,263
Cost of revenue		**(80,357,285)**	(57,560,050)
GROSS PROFIT		**22,563,302**	15,691,213
General and administrative expenses		**(10,246,266)**	(6,768,339)
Selling and distribution expenses		**(756,985)**	(170,146)
OPERATING PROFIT		**11,560,051**	8,752,728
Share of profit from investment in an associate		**934,437**	-
Finance cost		**(560,082)**	(304,692)
Other income		**713,633**	224,761
PROFIT BEFORE ZAKAT		**12,648,039**	8,672,797
Zakat	13	**(1,346,328)**	(676,169)
PROFIT FOR THE PERIOD		**11,301,711**	7,996,628
Attributable to:			
Equity holders of the Parent Company		**10,978,844**	7,996,628
Non-controlling interest		**322,867**	-
		11,301,711	7,996,628
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods			
Gain on financial assets at fair value through other comprehensive income		**-**	129,577
Remeasurement gain on employees' defined benefit liabilities		**274,732**	762,075
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**274,732**	891,652
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11,576,443**	8,888,280
Attributable to:			
Equity holders of the Parent Company		**11,253,576**	8,888,280
Non-controlling interest		**322,867**	-
		11,576,443	8,888,280
EARNINGS PER SHARE			
Basic and diluted, income for the period per share attributable to equity holders of the Parent Company	14	**3.69**	2.67

Chief Financial Officer **Chief Executive Officer** **Chairman, Board of Directors**

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMEBER 2022

	Total equity attributable to the equity holders of the parent company						
	Share capital SR	***Treasury stock SR***	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*	*Non-controlling interest SR*	*Total equity SR*
As at 1 July 2021	30,000,000	-	1,703,609	850,709	32,554,318	-	32,554,318
Profit for the period	-	-	-	7,996,628	7,996,628	-	7,996,628
Other comprehensive loss	-	-	-	891,652	891,652	-	891,652
Total comprehensive income	-	-	-	8,888,280	8,888,280	-	8,888,280
As at 31 December 2021	30,000,000	-	1,703,609	9,738,989	41,442,598	-	**41,442,598**
As at 1 July 2022	30,000,000	-	3,615,717	18,220,161	51,835,878	(15,439)	**51,820,439**
Profit for the period	-	-	-	10,978,844	10,978,844	322,867	**11,301,711**
Other comprehensive income	-	-	-	274,732	274,732	-	**274,732**
Total comprehensive income	-	-	-	11,253,576	11,253,576	322,867	**11,576,443**
Treasury stock purchased (note 12)	-	(6,710,061)	-	-	(6,710,061)	**-**	**(6,710,061)**
Share based payments (note 12)	-	1,350,935	-	-	1,350,935	**-**	**1,350,935**
As at 31 December 2022	**30,000,000**	**(5,359,126)**	**3,615,717**	**29,473,737**	**57,730,328**	**307,428**	**58,037,756**

Chief Financial Officer	**Chief Executive Officer**	**Chairman, Board of Directors**

SAUDI AZM FOR COMMUNICATION AND INFORMATION TECHNOLOGY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

	Notes	*2022 SR*	*2021 SR*
OPERATING ACTIVITIES			
Profit for the period before zakat		**12,648,039**	8,672,797
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment		**486,824**	131,407
Right-of-use asset depreciation		**611,310**	195,231
Amortisation of intangible assets		**1,707**	197,990
Employees' defined benefits liabilities		**1,318,369**	1,355,245
Expected credit loss provision for trade receivables		**688,681**	149,654
Charges of expected credit loss provision for contract assets		**55,120**	20,492
Reversal of zakat provision no longer required		-	(188,164)
Gain on disposal of financial assets at fair value through profit or loss	7	**(226,359)**	(8,417)
Share in profit from associate		**(934,437)**	-
Finance cost		**59,976**	172,615
		14,709,230	10,698,850
Changes in operating assets and liabilities			
Trade receivables		**(17,036,397)**	17,335,689
Contract assets		**(943,300)**	(5,573,521)
Prepayments and other current assets		**816,681**	(6,991,748)
Amounts due from / to related parties, net		**7,247,070**	11,746,035
Trade payables		**(7,982,702)**	4,233,327
Contract liabilities		**14,799,978**	(5,754,830)
Accrued expenses and other current liabilities		**5,727,221**	2,696,976
		17,337,781	28,390,778
Employees' defined benefits liabilities paid		**(797,808)**	(1,787,945)
Zakat paid		**(732,405)**	(752,841)
Finance cost paid		**(59,976)**	(168,744)
Net cash flow from operating activities		**15,747,592**	25,681,248
INVESTING ACTIVITIES			
Purchase of property and equipment		**(676,886)**	(2,511,191)
Proceeds from the disposals of property and equipment		**126,438**	-
Additions to intangibles assets		**(175,510)**	(173,358)
Purchase of financial assets at fair value through profit or loss		**(17,000,000)**	(2,366,278)
Proceeds from disposal of financial assets at fair value through profit or loss		-	8,417
Net cash used in investing activities		**(17,725,958)**	(5,042,410)
FINANCING ACTIVITIES			
Purchase of treasury stock	12	**(6,710,061)**	-
Repayment of long-term loan		**(1,331,818)**	(9,363,922)
Addition to short-term borrowings		-	1,000,000
Lease paid		**(450,482)**	(185,185)
Net cash used in financing activities		**(8,492,361)**	(8,549,107)
NET CHANGE IN BANK BALANCE		**(10,470,727)**	12,089,731
BANK BALANCE AT THE BEGINNING OF THE PERIOD		**27,221,636**	13,669,469
BANK BALANCE AT THE END OF THE PERIOD		**16,750,909**	25,759,200
Non-cash transaction:			
Share based bonus payment to employees		**(1,350,935)**	
Actuarial gain or loss		**274,732**	762,075

Chief Financial Officer **Chief Executive Officer** **Chairman, Board of Directors**

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

1. ACTIVITIES

Saudi AZM for Communication and Information Technology Company (the "Company") is a saudi joint stock Company registered in the Kingdom of Saudi Arabia on 11 Rabi Awal 1439H (corresponding to 29 November 2017) under Commercial Registration No. 1010918075. The company became listed on the parallel market "Nomu" on 1 March 2022.

On 22 Shawwal 1442H (corresponding to 3 June 2021) the shareholders decided to change the legal structure of the Company from a limited liability company to a Saudi closed joint stock company, as well as increasing its share capital to SR 30 million by transferring SR 29.5 million from retained earnings to the share capital.

The Company is principally engaged in the sale of wire and wireless equipment and devices, repair and maintenance of personal and portable computers (of all types and sizes) and providing senior management consulting services.

The registered office of the Company head office is as follows:

7999, King Khalid Road, 2280 West Umm Al Hammam District
Riyadh 12329
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the six months period ended 31 December 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Group has prepared these interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 30 June 2022.

2.2 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the Group's functional currency and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

2.3 Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the following material items in the interim condensed consolidated statement of financial position that are measured at fair value:

- Financial assets at fair value through profit or loss ("FVPL").
- Financial assets at fair value through other comprehensive income ("FVOCI").
- Employees' defined benefits liabilities are recognised at the present value of future obligations using the projected unit credit method

The preparation of the interim condensed consolidated financial statements in accordance with IFRS as endorsed in Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in note 4.

2.4 New standards and amendments to standards

New standards and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION AND PRESENTATION (continued)

2.4 New standards and amendments to standards (continued)

New standards and amendments adopted by the Group (continued)

- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceed before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in ’10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

2.5 Basis of consolidation

The Company’s subsidiary consolidated in these interim condensed consolidated financial statements is as follows:

		Effective ownership	
Subsidiary Company	*Country of incorporation*	***31 December 2022***	*31 December 2021*
AZM Tajrubah for information technology Company	Saudi Arabia	**75%**	75%

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Company and its subsidiary (the Group) as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Financial statements of subsidiaries are prepared using accounting policies which are consistent with those of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and method of computation applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective as of 1 July 2022 and as mentioned below. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Treasury shares

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

Shared-based payment transactions

The Group's executive employees receive remuneration in the form of share-based payments under the employee long term incentives program, whereby employees render services as consideration for the Group's shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument at the grant date. The grant date is the date on which the Group and the employee agree on the share-based agreement, so that a common understanding of the terms and conditions of the agreement exists between the parties.

Share-based payment expense is included as part of employee benefit expenses over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of the International Financial Reporting Standard (2) Share-based Payment. The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of comprehensive for a period represents the movement in cumulative expense recognized from the beginning to the end of that period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The following critical judgements and estimates have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

Useful lives and residual values of property and equipment and intangible assets

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

Contract cost estimation

The Company recognizes contract revenue by reference to the stage of completion of the activity at the reporting date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Assumptions are required to estimate the total estimated contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers and other technical team. The accuracy of these estimates is likely to have an impact on the amount of revenue and related profits recognised.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Contract cost estimation (continued)
At the end of each reporting period, the Company is required to estimate costs to complete the contracts based on work to be performed beyond the reporting period. This involves objective evaluation of project progress against the schedule, evaluation of work to be performed and the associated costs to fully deliver the contract to the customer. This estimate will impact contract revenue and costs, contract assets, contract liabilities and accrued project costs. The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.

Defined benefit plan
Employee benefits obligation represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management use an independent actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Going concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these interim condensed consolidated financial statements continue to be prepared on the going concern basis.

Determining the lease term of contracts with renewal and terminations options
The Company 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 Company has several lease contracts that include extension and termination clauses. The Company applies judgement 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 Company 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Incremental borrowing rate for lease agreements
The Company 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 Company would have to pay to borrow 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 Company '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 Company estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

Zakat
The Group and its subsidiary are subject to zakat in accordance with the Regulations of Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the statement of income. Additional zakat liabilities, if any, resulting from the final assessments raised by (the "ZATCA") for previous years are accounted for in the year in which this final assessment is issued.

5. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

5. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments are not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

6. INVESTMENT IN AN ASSOCIATE

	Percentage of ownership	
Name	***31 December 2022***	*30 June 2022*
National Real Estate Platform (Aqarek) Company	**34.2%**	34.2%

6. INVESTMENT IN AN ASSOCIATE (continued)

	31 December 2022 SR	*30 June 2022 SR*
At the beginning of the period	**1,891,258**	-
Share in results from investment in an associate	**934,437**	865,258
Additions during the period	-	1,140,000
Disposal during the year	-	(114,000)
At the end of the period	**2,825,695**	1,891,258

During the year ended 30 June 2022, the Group established National Real Estate Platform (Aqarek) and initially hold 38% shares of Company and at the end year sold 3.8% holding.

National Real Estate Platform (Aqarek) Company is a limited liability company. The Company is engaged in real estate activities, consultancy, advisory services, computer programming, data processing and web related activities.

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's interim condensed financial statements.

Summary of statement of financial position	***31 December 2022 SR***	*30 June 2022 SR*
Current assets	**76,371,774**	32,234,187
Non-current assets	**1,245,626**	23,573
Current liabilities	**(63,056,173)**	(29,673,805)
Non-current liabilities	**(9,198,960)**	(28,960)
Equity	**5,362,267**	2,554,995

Summary of statement of comprehensive income	***31 December 2022 SR***	*30 June 2022 SR*
Revenue	**8,235,353**	6,755,123
Total comprehensive income for the year	**2,017,071**	3,245,196

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement of investment in FVPL during the period/year was as follows:

	31 December 2022 SR	*30 June 2022 SR*
At the beginning of the period/year	**17,000,000**	10,000,000
Additions	**17,000,000**	20,486,284
Change in fair value	**226,359**	-
Disposals	-	(13,486,284)
At the end of the period/year	**34,226,359**	17,000,000

The Group invested an amount of SR 34 million (30 June 2022: SR 17 million) in a Mutual Fund through a brokerage company of a local bank in Saudi Arabia. The intention of the company is to take advantage of the upside movement in price, efficiently manage the short-term excess liquidity and record any gain or loss in the fair value to profit or loss account. The fair value of the investment as at 31 December 2022 was SR 34,226,359 (30 June 2022: 17,000,000).

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of partners, key management personnel, directors and businesses which are controlled directly or indirectly or influenced by the partners, directors or key management personnel. In the normal course of business, the Company has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Company's management or its Board of Directors.

Related party:	**Nature of relationship:**
Saudi AZM Holding Company	Shareholder
Itmam Consultancy Company	Affiliate
AZM Financial Technology Company	Affiliate
Oqoud/Azm Digital Company	Affiliate
Business Innovation Mine Company	Affiliate
Future Communications Company	Affiliate

Related party	**Nature of transaction**	***31 December 2022 SR***	*31 December 2021 SR*
AZM Financial Technology Company	Revenue from affiliate	**3,502,260**	2,916,992
	Expenses incurred by affiliate on behalf of the Company	**15,905,138**	10,957,938
Itmam Consultancy Company	Revenue from affiliate	**8,816,673**	-
Business Innovation Mine Company	Revenue from affiliate	-	463,388
	Expenses paid on behalf	**217,459**	435,925

Related parties balances for the period/year ended were as follows:

	31 December 2022 **SR**	*30 June 2022* SR
Amounts due from related parties:		
AZM Financial Technology Company	-	178,993

	31 December 2022 **SR**	*30 June 2022* SR
Amounts due to related parties:		
AZM Financial Technology Company	**7,068,079**	**-**

Key management personnel compensation comprised the following:

	31 December 2022 **SR**	*31 December 2021* SR
Short-term employee benefits	**1,101,805**	1,033,666
End of service benefits	**68,400**	53,845
	1,170,205	1,087,511

9. CONTRACT REVENUE, ASSETS & LIABILITIES

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

9. CONTRACT REVENUE, ASSETS & LIABILITIES (continued)

	31 December 2022 *SR*	*30 June 2022* *SR*
Contract cost incurred	**80,357,285**	121,749,747
Add: recognized profits	**22,563,302**	30,810,721
Total revenue	**102,920,587**	152,560,468
Billing issued during the period/year	**(113,139,089)**	(148,922,292)
Contract liabilities	**24,710,838**	9,910,860
Contract assets, gross	**14,492,336**	13,549,036
Contract assets		
Contract assets, gross	**14,492,336**	13,549,036
Less: expected credit loss	**(161,445)**	(106,325)
Contract assets, net	**14,330,891**	13,442,711

Set out below is the movement in the allowance for expected credit losses of trade receivables:

At the beginning of the period/year	**106,325**	12,902
Charged during the period/year	**55,120**	93,423
At the end of the period/year	**161,445**	106,325

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2022 *SR*	*2021* *SR*
Major product / Service line		
Manpower	**63,099,333**	41,369,030
Platforms	**16,011,633**	22,580,634
Subscriptions	**1,829,034**	5,888,366
Services	**21,980,587**	3,413,233
	102,920,587	73,251,263
Type of customers		
Government Customer	**51,686,598**	41,229,852
Semi-government Customer	**22,808,073**	20,745,924
Private Customer	**28,425,916**	11,275,487
	102,920,587	73,251,263
Timing of revenue recognition		
Goods or services transferred to customers:		
- over time	**102,920,587**	73,251,263

10. TRADE RECEIVABLES

	31 December 2022 **SR**	*30 June 2022* SR
Trade receivables	**29,437,780**	12,401,382
Less: Allowance for expected credit losses	**(1,887,018)**	(1,198,336)
	27,550,762	11,203,046

Accounts receivable comprise of interest free net receivables due from customers with no credit rating. Unimpaired accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and vast majority are, therefore, unsecured.

Set out below is the movement in the provision for expected credit losses of trade receivables:

	31 December 2022 **SR**	*30 June 2022* SR
At the beginning of the period/year	**(1,198,336)**	(561,341)
Allowance for expected credit losses	**(688,682)**	(636,995)
At the end of the period/year	**(1,887,018)**	(1,198,336)

The following table details the risk profile of accounts receivable based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss pattern for different customer segments, the allowance for expected credit losses based on past due status is not further distinguished between the Group's different customer types.

		Past due					
31 December 2022	***Current SR***	***1- 90 days SR***	***91-180 days SR***	***180-270 days SR***	***271-365 days SR***	***More than 365 days SR***	***Total SR***
ECL rate %	**1.11%**	**1.79%**	**7.63%**	**25%**	**50%**	**100%**	
Gross carrying amount	**13,059,171**	**12,449,209**	**1,178,348**	**929,062**	**1,248,017**	**573,973**	**29,437,780**
Expected credit loss	**143,977**	**222,924**	**89,870**	**232,266**	**624,008**	**573,973**	**1,887,018**

		Past due					
30 June 2022	*Current SR*	*1- 90 days SR*	*91-180 days SR*	*180-270 days SR*	*271-365 days SR*	*More than 365 days SR*	*Total SR*
ECL rate %	0.29%	1.30%	5.31%	25%	50%	100%	
Gross carrying amount	2,234,503	5,940,887	1,420,117	2,355,456	-	450,419	12,401,382
Expected credit loss	6,582	77,090	75,412	588,833	-	450,419	1,198,336

11. SHARE CAPITAL

The share capital of the Group amounted to SR 30 million (30 June 2022: SR 30 million) divided into authorised and fully paid 3 million shares, (30 June 2022: 3 million shares) of SR 10 each share (30 June 2022: SR 10 each shares).

12. TREASURY STOCK

During the year 2022, the Company completed the purchase of 38,014 shares based on the approval from General Assembly Dated 3 Muharram 1444H (corresponding to 1 August 2022) of its own shares with an amount of SR 6.7 million to be allocated to the Employees' Long-term Incentives Program and high performing employee.

12. TREASURY STOCK (continued)

	31 December 2022 *SR*
Treasury shares purchased during the period	**6,710,061**
Treasury shares distributed during the period	**(1,350,935)**
	5,359,126

13. ZAKAT

Charge for the year

Zakat charge for the year consists of the following:

	31 December ***2022*** ***SR***	*30 June 2022 SR*
Provided for the period/year	**1,346,328**	1,578,716
Adjustments relating to previous years	**-**	(185,915)
	1,346,328	1,392,801

The major components of the zakat base are as follow:

	31 December ***2022*** ***SR***	*30 June 2022 SR*
Equity	**53,082,244**	32,554,318
Opening provisions and other adjustments	**44,971,313**	31,246,075
Book value of long-term assets	**(25,414,814)**	(25,229,466)
	72,638,743	38,570,927
Adjusted profit for the period/year	**15,656,876**	23,379,184
Zakat base	**88,295,619**	61,950,111

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

The movement in provision for zakat during the period/year is as follows:

	31 December 2022 **SR**	*30 June 2022* SR
At the beginning of the period/year	**1,581,198**	941,005
Charge during the period/year	**1,346,328**	1,392,801
Paid during the period/year	**(732,405)**	(752,608)
At the end of the period/year	**2,195,121**	1,581,198

Status of zakat assessments

The Group filed its zakat return to the Zakat, Tax and Customs Authority ("ZATCA") up to the financial year ended 30 June 2022 and is still awaiting final zakat assessments.

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period/year.

Diluted earnings per share is calculated by dividing the profit for the period/year by the adjusted weighted average number of ordinary shares outstanding during the period/year, to assume conversion of all dilutive potential shares into ordinary shares.

As at 31 December 2022 and 2021, diluted earnings per share is equal to basic earnings per share.

	31 December 2022 SR	*31 December 2021 SR*
Income attributable to equity holders of the parent	**10,978,844**	7,996,628
Weighted average number of ordinary shares	**2,976,119**	3,000,000
Basic and diluted, income per share	**3.69**	2.67

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a summary of financial assets, other than cash and cash equivalents, held by the Group as at 31 December 2022 and 30 June 2022:

	31 December 2022 SR	*30 June 2022 SR*
Financial assets at amortised cost		
Trade receivables	**27,550,762**	11,203,046
Contract assets	**14,330,891**	13,442,711
Amounts due from related parties	-	178,993
Financial assets measured at fair value		
Financial assets at fair value through OCI	**1,883,524**	1,883,524
Financial assets at fair value through profit and loss	**34,226,359**	17,000,000
Total financial assets	**77,991,536**	43,708,274
Total current	**76,108,012**	41,824,750
Total non-current	**1,883,524**	1,883,524

Set out below is a summary of financial liabilities, other than cash, held by the Group as at 31 December 2022 and 30 June 2022:

	31 December 2022 SR	*30 June 2022 SR*
Financial liabilities at amortised cost		
Current portion of long-term loan	**680,789**	2,012,606
Trade payables	**3,209,907**	11,192,609
Contract liabilities	**24,710,838**	9,910,860
Total financial liabilities	**28,601,534**	23,116,075
Total current	**28,601,534**	23,116,075
Total non-current	-	-

The fair values of the financial assets and liabilities of the Group at the reporting date are not materially different from their carrying values as at 31 December 2022 and 30 June 2022.

16. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 31 December 2022 and 30 June 2022. There are no financial liabilities measured at fair value.

		Fair value measurement using		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
As at 31 December 2022	***SR***	***SR***	***SR***	***SR***
Financial assets measured at fair value	**1,883,524**	**-**	**-**	**1,883,524**
Financial assets at fair value through other comprehensive income				
Financial asssets measured at fair value	**34,226,359**	**34,226,359**	**-**	**-**
Financial assets at fair value through profit and loss				
As at 30 June 2022				
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income	1,883,524	-	-	1,883,524
Financial asssets measured at fair value				
Financial assets at fair value through profit and loss	17,000,000	17,000,000	-	-

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the period ended 31 December 2022.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

17. CONTINGENCIES

At 31 December, the Group has contingencies for the following bank guarantees:

	31 December 2022 SR	*30 June 2022 SR*
Letter of guarantees	**23,647,009**	21,704,103

18. SEGMENT INFORMATION

The Group primarily operates its activities within the Kingdom of Saudi Arabia. Thus, the Group's segments are based on business and main activities. Business sectors of the Group represents the following main sectors:

- Manpower
- Platform
- Subscriptions
- Services

Analysis of revenue and gross profit of the aforementioned main sectors are as follows:

31 December 2022	***Manpower SR***	***Platform SR***	***Subscription SR***	***Services SR***	***Total SR***
Revenues	**63,099,333**	**16,011,633**	**1,829,034**	**21,980,587**	**102,920,587**
Cost of revenue	**(46,748,505)**	**(15,597,213)**	**(1,483,642)**	**(16,527,925)**	**(80,357,285)**
Gross profit	**16,350,828**	**414,420**	**345,392**	**5,452,662**	**22,563,302**

31 December 2021	*Manpower SR*	*Platform SR*	*Subscription SR*	*Services SR*	*Total SR*
Revenues	41,369,030	22,580,634	5,888,366	3,413,233	73,251,263
Cost of revenue	(31,836,471)	(17,208,632)	(5,566,127)	(2,948,820)	(57,560,050)
Gross profit	9,532,559	5,372,002	322,239	464,413	15,691,213

The Group management does not believe that distributing the property, plant and equipment for the Group's operations is appropriate to the internal administrative analysis. Accordingly, no information has been disclosed on the operating segments.

The results of all operating segments are reviewed regularly by the Groups management to take decisions on the allocated resources to segments, evaluate its performance, and ensure availability of specific financial information about each segment.

19. SUBSEQUENT EVENT

In the opinion of management, there have been no significant subsequent events since 31 December 2022 that would have a material impact on the financial position or financial performance of the Group as reflected in these interim condensed consolidated financial statements**.**

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDTED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors, on 18 Rajab 1444H (corresponding to 9 February 2023).