**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Financial Statements and Independent Auditor's Report**
**For the year ended 31 December 2020**

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# Independent Auditor's Report

**To the Partners,**
**Perfect Presentation for Commercial Services Company**
(Limited liability Company)
Riyadh, Kingdom of Saudi Arabia

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Perfect Presentation for Commercial Services Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants.

### Basis for Opinion

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

### Emphasis of matter

We draw attention to note 2 of these financial statements related to the basis of preparation of the financial statement which shows that the investment in the subsidiary company was accounted under the basis of the equity method and not by applying the standard of consolidation of financial statements. as the company benefited from exemptions from International Financial Reporting Standards. by not preparing consolidated financial statements where the Parent Company, The Ideal for Business and Investment Trade Company's, prepares consolidated financial statements under International Financial Reporting Standards. Our opinion has not been modified concerning this matter.

### Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 23 Dhul Qa'dah 1441H corresponding to 14 July 2020G.

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

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

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

Those charged with governance, i.e. the partners, are responsible for overseeing the Company's financial reporting process.

**Independent Auditor's Report** (Continued)

**To the Partners,**
**Perfect Presentation for Commercial Services Company**

**Report on the audit of the financial statements** (Continued)

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ("ISA"), we exercise professional judgment and maintain professional skepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**Report on Other Legal and Regulatory Requirements**

Article 135 of the regulations for Companies requires the auditor to include in his report any observed non-compliance with the regulations. During our audit we observed a violation, that has no significant impact on the financial statements, whereby the Company did not comply to timelines stipulated in Article 175 of the Regulation for Companies.

**BAKER TILLY MKM & CO.**
Certified Public Accountants

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محاسبون قانونيون
CPA
License 323/11/479 ترخيص
BAKER TILLY
M K M & CO.

**Majed Muneer Alnemer**
(Certified Public Accountant - License No. 381)
Riyadh on 27 Shawwal 1442H
Corresponding to 8 June 2021G

**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Statement of Financial Position**
**As at 31 December 2020**

| | Note | 2020 SR | 2019 SR |
|---|---|---|---|
| **ASSETS** | | | |
| **Noncurrent assets** | | | |
| Property, plant and equipment | 5 | **98,059,454** | 63,871,310 |
| Investments at fair value through OCI | 6 | **1,014,027** | - |
| Investment in a subsidiary | 7 | **19,089** | - |
| **Total noncurrent assets** | | **99,092,570** | 63,871,310 |
| **Current assets** | | | |
| Inventories | 8 | **5,413,278** | 1,082,037 |
| Due from related parties | 9 | **3,960,182** | 6,922,625 |
| Accrued revenues | | **61,707,235** | 36,488,547 |
| Trade receivables | 10 | **121,999,771** | 73,241,466 |
| Prepaid expenses and other debit balances | 11 | **14,547,383** | 20,321,491 |
| Cash and cash equivalents | 12 | **10,548,191** | 3,350,350 |
| **Total current assets** | | **218,176,040** | 141,406,516 |
| **TOTAL ASSETS** | | **317,268,610** | 205,277,826 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | **20,000,000** | 20,000,000 |
| Additional Share capital | | **6,670,311** | 6,670,311 |
| Statutory reserve | 14 | **6,000,000** | 2,690,215 |
| Retained earnings | | **79,280,395** | 45,075,500 |
| **Total equity** | | **111,950,706** | 74,436,026 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Employee defined benefits obligations | 15 | **13,817,159** | 7,389,495 |
| Long-term borrowings | 16 a | **9,953,435** | - |
| **Total noncurrent liabilities** | | **23,770,594** | 7,389,495 |
| **Current liabilities** | | | |
| Trade payables | | **27,384,830** | 12,591,237 |
| Due to related parties | 9 | **14,661,728** | 233,881 |
| Short-term borrowings | 16 b | **67,040,118** | 60,685,448 |
| Current portions of long-term borrowings | 16 a | **847,608** | - |
| Accrued expenses and other credit balances | 17 | **69,867,724** | 48,481,363 |
| Zakat payable | 18 | **1,745,302** | 1,460,376 |
| **Total current liabilities** | | **181,547,310** | 123,452,305 |
| **Total liabilities** | | **205,317,904** | 130,841,800 |
| **TOTAL EQUITY AND LIABILITIES** | | **317,268,610** | 205,277,826 |

The accompanying notes form an integral part of these financial statements.

**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Statement of Profit or Loss and Other Comprehensive Income**
**For the Year Ended 31 December 2020**

| | Note | 2020 SR | 2019 SR |
|---|---|---|---|
| Revenue | | **492,031,355** | 306,159,332 |
| Cost of revenue | | **(401,568,333)** | (250,682,077) |
| **Gross profit** | | **90,463,022** | 55,477,255 |
| Selling and distribution expenses | 20 | **(5,091,372)** | (4,145,362) |
| General and administrative expenses | 21 | **(25,312,220)** | (22,691,228) |
| **Operating income** | | **60,059,430** | 28,640,665 |
| Finance cost | | **(2,288,312)** | (2,105,867) |
| Other income | 22 | **5,329,988** | 1,827,727 |
| Company's Share in the net losses of a subsidiary | 7 | **(47,911)** | - |
| **Profit before zakat** | | **63,053,195** | 28,362,525 |
| Zakat | 18 | **(1,745,302)** | (1,460,376) |
| **Net profit for the year** | | **61,307,893** | 26,902,149 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or in subsequent years:** | | | |
| Remeasurements of employees' defined benefit liability | 15 | **(2,290,590)** | (451,456) |
| Revaluation of investment at fair value through OCI | 6 | **497,377** | - |
| **Total other comprehensive loss for the year** | | **(1,793,213)** | (451,456) |
| **Total comprehensive income for the year** | | **59,514,680** | 26,450,693 |

The accompanying notes form an integral part of these financial statements.

**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Statement of Changes in Equity**
**For the Year Ended 31 December 2020**

| | Note | Share capital | Additional share capital | Statutory reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | | SR | SR | SR | SR | SR |
| Balance as at 1 January 2019 | | 1,000,000 | - | 500,000 | 47,815,022 | 49,315,022 |
| Net profit for the year | | - | - | - | 26,902,149 | 26,902,149 |
| Other comprehensive loss for the year | | - | - | - | (451,456) | (451,456) |
| Total comprehensive income for the year | | - | - | - | 26,450,693 | 26,450,693 |
| Partner's contribution in the additional share capital | | - | 6,670,311 | - | - | 6,670,311 |
| Dividends paid | 19 | - | - | - | (8,000,000) | (8,000,000) |
| Transfer to share capital | | 19,000,000 | | (500,000) | (18,500,000) | - |
| Transfer to statutory reserve | 14 | - | - | 2,690,215 | (2,690,215) | - |
| Balance as at 31 December 2019 | | 20,000,000 | 6,670,311 | 2,690,215 | 45,075,500 | 74,436,026 |
| **Balance as at 1 January 2020** | | 20,000,000 | 6,670,311 | 2,690,215 | 45,075,500 | 74,436,026 |
| **Net profit for the year** | | - | - | - | **61,307,893** | **61,307,893** |
| **Other comprehensive loss for the year** | | - | - | - | **(1,793,213)** | **(1,793,213)** |
| **Total comprehensive income for the year** | | - | - | - | **59,514,680** | **59,514,680** |
| **Dividends paid** | 19 | - | - | - | **(22,000,000)** | **(22,000,000)** |
| **Transfer to statutory reserve** | 14 | - | - | **3,309,785** | **(3,309,785)** | - |
| **Balance as at 31 December 2020** | | **20,000,000** | **6,670,311** | **6,000,000** | **79,280,395** | **111,950,706** |

The accompanying notes form an integral part of these financial statements

**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Statement of Cash Flows**
**For the Year Ended 31 December 2020**

| | 2020<br>SR | 2019<br>SR |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before zakat | **63,053,195** | 28,362,525 |
| **Adjustments for:** | | |
| Depreciation of property, plant and equipment | **2,417,463** | 2,248,866 |
| Expected credit losses provision | **5,309,509** | 6,879,212 |
| Losses on disposal of property, plant and equipment | **26,000** | - |
| Employees' defined benefit obligation incurred | **6,265,286** | 1,960,803 |
| Finance cost | **186,957** | 256,060 |
| Company's share in the net losses of a subsidiary | **47,911** | - |
| **Changes in operation assets and liabilities:** | | |
| Inventory | **(4,331,241)** | (453,607) |
| Due from / to related parties | **17,390,290** | 3,737,583 |
| Accrued revenues | **(25,218,688)** | (19,803,097) |
| Trade receivables | **(54,067,814)** | (13,767,526) |
| Prepaid expenses and other assets | **5,774,108** | (7,669,028) |
| Trade payables | **14,793,593** | (14,541,484) |
| Accrued expenses and other liabilities | **21,386,361** | 24,815,924 |
| **Cash flows from operating activities** | **53,032,930** | 12,026,231 |
| Employees' defined benefits paid | **(2,315,169)** | (838,496) |
| Zakat paid | **(1,460,376)** | (911,792) |
| **Net cash flows from operating activities** | **49,257,385** | 10,275,943 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(36,714,572)** | (45,460,724) |
| Proceeds from disposal of property's plant and equipment | **82,965** | - |
| Additions of investments at fair value through OCI | **(516,650)** | - |
| Additions of investment in a subsidiary | **(67,000)** | - |
| **Net cash flows used in investing activities** | **(37,215,257)** | (45,460,724) |
| **Cash flows from financing activities** | | |
| Net change in borrowings | **17,155,713** | 39,615,203 |
| Dividends paid | **(22,000,000)** | (8,000,000) |
| **Net cash (used in) from financing activities** | **(4,844,287)** | 31,615,203 |
| **Net change in cash and cash equivalents** | **7,197,841** | (3,569,578) |
| Cash and cash equivalents at beginning of the year | **3,350,350** | 6,919,928 |
| **Cash and cash equivalents at end of the year** | **10,548,191** | 3,350,350 |
| **Non-cash transactions:** | | |
| Transfer from retained earnings to share capital | - | 18,500,000 |
| Transfer from related parties to the additional share capital | - | 6,670,311 |
| Transfer from statutory reserve to share capital | - | 500,000 |

The accompanying form an integral part of these financial statements.

**Perfect Presentation for Commercial Services Company**
(Limited Liability Company)

**Notes to the financial statements**
**For the Year Ended 31 December 2020**

## 1. Company Information

Perfect Presentation for Commercial Services Company (the "Company") is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010203693 issued in Riyadh on 25 Shawwal 1425H (corresponding to 8 December 2004G). The registered address of the Company is Al Imam Muhammad Ibn Saud road khozama district, P.O. Box 105523, Riyadh 12572, Kingdom of Saudi Arabia.

These financial statements include assets, liabilities and the activities of the Company and its branches below:

| CR number | Location | Register date |
|---|---|---|
| 1010260349 | Riyadh | 7 Rajab 1431H (corresponding to 20 June 2010G) |
| 4031218300 | Makkah | 13 Safar 1440H (corresponding to 22 October 2018G) |

The company main activity is installation and extension of computer networks and communications, wholesale of computers and their accessories, including (sale of printers and their inks), wholesale of software, including import, provision of fixed communications services, provision of wholesale services for infrastructure, design and programming of special software, provision of SMS services and provision of call center service.

## 2. Basis of Preparation

The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (" SOCPA"). except for the investment in the subsidiary, which was accounted for using the equity method instead of consolidation, as the company benefited from exemptions from international standards.by not preparing consolidated financial statements where the Parent Company, The Ideal for Business and Investment Trade Company, prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants and Regulations for Companies and the Company's Articles of Association that are related to the preparation and presentation of the financial statements. Details of the Company's significant accounting policies are disclosed in note (4).

These financial statements have been prepared on the historical cost basis except for the employees' defined benefit obligations which are measured using the planned credit method by unit and the actuarial assessments at the end of the reporting period. Historical cost generally represents the fair value of the specific price paid in exchange for goods and services.

The financial statements are presented in Saudi Riyals, except when otherwise indicated. which is also the functional currency of the Company.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risk and uncertainties includes:

- Financial instruments risk management — Note 23
- Sensitivity analysis disclosures — Note 14

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Fair value measurement of financial instruments**

When the fair values of financial assets cannot be measured based on quoted prices or active tracing of some instruments at the date the statement of financial position. The fair value is estimated using various valuation techniques which include the use of pricing models where the information is taken from observing the market. Where this is not feasible, a degree of estimate and judgment is required in establishing fair values.

**Long-term assumptions for employees' benefits**

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employee turnover, and future healthcare costs. Periodically, the management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the employee benefit obligations.

**Useful lives of real estate, plant and equipment**

The Company determines the estimated useful lives of its real estate, plant and equipment for calculating depreciation after considering the expected usage of the assets or physical wear and tear. Management has not put any residual value as it was considered as insignificant. Management reviews the useful lives annually.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

**Impairment of trade receivables**

The Company uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates forecasts economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the trade receivables is disclosed in Notes 9.

## 4. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing these financial statements:

**Classification the assets and liabilities to current and non-current**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is.

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

4. **Summary of Significant Accounting Policies** (continued)

**Foreign currency translation**

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss.

**Property, plant and equipment**

Property, Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost includes the cost of replacing parts of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| **Category** | **Percentage** |
|---|---|
| Buildings | 5 – 10% |
| Vehicles | 20% |
| Furniture and fixtures | 14 – 28% |
| Computers | 14 – 28% |
| Constructions and fitting | 25% |
| Improvements and decoration | 25% |
| Website | 25% |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its future use or sale. Any gain or loss arising on the derecognition of the asset is included in profit or loss when the asset is derecognized.

Expenditures incurred for decoration and construction of the building are capitalized under projects under construction until the related assets are ready for their intended use, at which time they are transferred to the respective principal classes of property and equipment. Projects under construction are not depreciated.

**4. Summary of Significant Accounting Policies** (continued)

**Borrowing Costs**
Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Inventories**
Inventory represents in SMS packages and electronic devices, stated at the lower cost or net realizable value. Cost is determined on a weighted average cost basis.

**Financial Assets**
***Initial recognition and measurement***
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
All financial assets are recognised initially at fair value plus the cost of transactions, except in the case of financial assets are recorded at fair value through profit or loss.

**Subsequent measurement**
The subsequent measurement of financial assets depends on their classification as described below.

**Financial assets at amortised cost**
After initial measurement, financial assets at amortised cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified, or impaired.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**Equity instruments designated at fair value through OCI**
Gains and losses arising from investments in equity instruments carried at fair value through other comprehensive income are never reclassified to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

**Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

**4. Summary of Significant Accounting Policies** (continued)
**Financial Assets** (continued)
**Derecognition of financial assets**
A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company 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.

**Trade receivables**
Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that full amounts due according to the original terms of the receivables will not be collected. Bad debts are written off as incurred.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks.

For the purpose of preparing the statement of cash flow, cash and cash equivalents include bank balances as explained above after deducting overdraft accounts with banks, if any, as they are considered an integral part of the company's cash management.

## 4. Summary of Significant Accounting Policies (continued)

### Statutory Reserve

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends.

### Employee Termination Benefits

The cost of employees' defined benefit obligation is determined using actuarial valuations and projected unit credit method.
Re-measurements, comprising of actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

### Trade payables and the accrued balances

These amounts represent liabilities related to goods and services provided to the company before the end of the year that has not been paid and are considered unsecured. Trade payables and notes payable are presented as current liabilities unless payment is not due within 12 months after the reporting date and initially recognized at their fair value and subsequently measured at amortized cost using the effective commission method.

### Provisions

#### General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit of loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Financial Liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

#### Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

## 4. Summary of Significant Accounting Policies (continued)

**Financial Liabilities** (continued)

**Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Revenue from Contracts with Customers**
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such transfer.

**Rights of return**
Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 " Revenue from contracts with the customers" on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of recognizing it as revenue, the Company recognizes a refund liability. A right of return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

**Volume rebates**
The Company provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The Company applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

**Warranty obligations**
The Company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Contract assets**
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Trade receivables**
A receivable represents the Company's right to an amount of consideration that is unconditional (the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

**4. Summary of Significant Accounting Policies** (continued)

**Financial Liabilities** (continued)

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the company had an unconditional right to a consideration amount before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**Assets and liabilities arising from rights of return**

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

**Cost to obtain a contract**

The Company pays for bid fees and technical studies performed by third parties in order to obtain contracts. These costs are capitalised and amortized over the term of the contract on a straight-line basis.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognized as expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company. If the company provides interest-free credit to a buyer, revenue is recognised at the present value of the future payments.

The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities, as described below:

**A- Revenue from sale of goods**

Revenue from sale of goods are recognized when the Company entity has delivered products to the customer, the customer has full discretion over the use or sale of such products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

**4. Summary of Significant Accounting Policies** (continued)
**Revenue recognition** (continued)

**B- Revenue from rendering of services**
Revenue from services is recognized in the accounting period in which the services are rendered.

**Direct costs**
Direct costs include all direct materials and labor costs, and those indirect costs related to contract performance.

**Expenses**

All operating expenses are distributed consistently to cost of revenue, selling and marketing expenses, and general and administration expenses using consistent distribution factors that are determined in proportion to the company's activities.

**Zakat**
Zakat provision is provided for in accordance with the regulations of the General Authority of Zakat and Tax (GAZT) in the kingdom of Saudi Arabia. The provision is charged to profit or loss.

**Value-added tax**
Revenues, expenses and assets are recognized net of the amount of value added tax, except where the value added tax incurred on a purchase of assets or services is not recoverable from GAZT, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Trade receivables and trade payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, GAZT is included as part of other assets or other liabilities in the statement of financial position

**Withholding Tax**
The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with the Saudi Arabian Income Tax Law.

## 5. Property, Plant and Equipment

| | Land | Buildings | Vehicles | Furniture and Fixtures | Computers | Construction and Fitting | Improvements and Decorations | Project under Construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| **Cost** | | | | | | | | | |
| 1 January 2019 | 3,587,500 | 16,346,643 | 1,327,900 | 2,281,014 | 7,676,458 | 748,799 | 1,870,177 | - | 33,838,491 |
| Additions | - | 13,856 | - | 360,727 | 37,641 | - | 3,500 | 45,045,000 | 45,460,724 |
| 31 December 2019 | 3,587,500 | 16,360,499 | 1,327,900 | 2,641,741 | 7,714,099 | 748,799 | 1,873,677 | 45,045,000 | 79,299,215 |
| **Additions** | **3,441,000** | **4,084,000** | **165,360** | **1,223,751** | **2,670,989** | - | - | **25,129,472** | **36,714,572** |
| **Disposals** | - | - | **(975,400)** | - | **(2,190)** | - | - | - | **(977,590)** |
| **31 December 2020** | **7,028,500** | **20,444,499** | **517,860** | **3,865,492** | **10,382,898** | **748,799** | **1,873,677** | **70,174,472** | **115,036,197** |
| **Accumulated depreciation** | | | | | | | | | |
| 1 January 2019 | - | 3,477,371 | 722,720 | 1,328,780 | 5,304,731 | 592,590 | 1,752,847 | - | 13,179,039 |
| Charge for the year | - | 966,596 | 258,037 | 307,895 | 628,396 | 81,329 | 6,613 | - | 2,248,866 |
| 31 December 2019 | - | 4,443,967 | 980,757 | 1,636,675 | 5,933,127 | 673,919 | 1,759,460 | - | 15,427,905 |
| **Charge for the year** | - | **1,063,380** | **201,380** | **416,274** | **723,699** | - | **12,730** | - | **2,417,463** |
| **Disposals** | - | - | **(866,435)** | - | **(2,190)** | - | - | - | **(868,625)** |
| **31 December 2020** | - | **5,507,347** | **315,702** | **2,052,949** | **6,654,636** | **673,919** | **1,772,190** | - | **16,976,743** |
| **Net book value:** | | | | | | | | | |
| **31 December 2020** | **7,028,500** | **14,937,152** | **202,158** | **1,812,543** | **3,728,262** | **74,880** | **101,487** | **70,174,472** | **98,059,454** |
| 31 December 2019 | 3,587,500 | 11,916,532 | 347,143 | 1,005,066 | 1,780,972 | 74,880 | 114,,217 | 45,045,000 | 63,871,310 |

-Projects under construction as at 31 December 2020 and 2019 represents the costs incurred for works of constructing and preparation for Qairouan building.

-This caption includes land and buildings mortgaged as a guarantee of long-term loans amounting to SR 7,350,000.

## 6. Investments at Fair Value Through OCI

| | **2020** | 2019 |
|---|---|---|
| | **SR** | SR |
| 1 January | - | - |
| Addition during the year | **516,650** | - |
| Changes in fair value during the year | 497,377 | - |
| **31 December** | 1,014,027 | - |

## 7. Investment in a Subsidiary

| **Name of subsidiary** | **Percentage of ownership %** | | **Country of incorporation** |
|---|---|---|---|
| | **2020** | 2019 | |
| Smart Health for Communications and Information Technology Company | 67% | - | Kingdom of Saudi Arabia |

The movement of investment in a subsidiary for the year ended 31 December as follows:

| | **2020** | 2019 |
|---|---|---|
| | **SR** | SR |
| 1 January | - | - |
| Addition during the year | **67,000** | - |
| Share in the net losses of a subsidiary | (47,911) | - |
| **31 December** | 19,089 | - |

The Smart Health for Communications and Information Technology Company is a limited liability company registered in Riyadh under Commercial register number 1010651587 dated 17 Moharram 1442H (corresponding to 5 September 2020 G).

The company s activity, as stated in its commercial register, is the installation of radiological and medical equipment and devices, wholesale of medical devices, equipment and supplies, wholesale of computers and their accessories, including (selling printers and their inks), wholesale of software, including import, retail sale of computers and their accessories, including (printers and their inks)

The subsidiary has not carried on any commercial activity since the date of its incorporation until 31 December 2020.

## 8. Inventories

| | **2020** | 2019 |
|---|---|---|
| | **SR** | SR |
| Bulk messages | **1,330,198** | 1,082,037 |
| Fingerprint devices | **4,083,080** | - |
| | **5,413,278** | 1,082,037 |

## 9. Related Parties' Transaction and Balances

Related parties represent major partners of the Company, managers and top management and entities controlled or significantly influenced by them. The nature of the relationship is described as follow:

| Related party | Relation |
|---|---|
| Cloud Distribution for Communications and Information Technology Company | Affiliate |
| Sustainable Energy Company | Affiliate |
| Perfect Presentation for Commercial Services Company- Jordan | Affiliate |
| Perfect Presentation for Commercial Services Company- Egypt | Affiliate |
| Information Technology Belt Company | Affiliate |
| Smart Health for Communications and Information Technology Company | Subsidiary |
| Prime Technical Contracting Est | Related to a Partner |
| Nasser Abdullah bin Muhammad Al-Bassam | Partner |
| Saleh bin Ibrahim bin Hamad Al Mazrou | Partner |
| The Ideal for Business and Investment Trade Company | Partner |

The following is a summary of the transactions carried out with related parties for the year ended 31 December:

| | **2020**<br>**SR** | 2019<br>SR |
|---|---|---|
| Purchases from related parties | **19,432,608** | 29,849,925 |
| Financing, net | **7,534,353** | 9,098,839 |
| Expenses paid on behalf | **(9,661,225)** | 6,613,876 |
| Dividend | **(22,000,000)** | (8,000,000) |

The balances of the due from related parties as at 31 December consists of the following:

| | **2020**<br>**SR** | 2019<br>SR |
|---|---|---|
| Perfect Presentation for Commercial Services Company- Jordan | **1,322,164** | 1,143,908 |
| Cloud Distribution for Communications and Information Technology Company | **912,690** | 2,674,538 |
| Perfect Presentation for Commercial Services Company- Egypt | **882,335** | 882,335 |
| Information Technology Belt Company | **738,485** | 624,525 |
| Smart Health for Communications and Information Technology Company | **104,508** | - |
| Prime Technical Contracting Est | - | 1,359,983 |
| Nasser Abdullah bin Muhammad Al-Bassam | - | 90,229 |
| The Ideal for Business and Investment Trade Company | - | 74,000 |
| Saleh bin Ibrahim bin Hamad Al Mazrou | - | 73,107 |
| | **3,960,182** | 6,922,625 |

## 9. Related Parties' Transaction and Balances (Continued)

The balances of the due to related parties as at 31 December consists of the following:

| | 2020 SR | 2019 SR |
|---|---|---|
| Prime Technical Contracting Est. | **6,757,455** | 233,881 |
| The Ideal for Business and Investment Trade Company | **5,803,830** | - |
| Sustainable Energy Company | **2,100,443** | - |
| | **14,661,728** | 233,881 |

## 10. Trade Receivables

| | 2020 SR | 2019 SR |
|---|---|---|
| Trade receivables | **121,999,771** | 74,671,558 |
| Less: allowance for expected credit losses | - | (1,430,092) |
| | **121,999,771** | 73,241,466 |

The movement in the allowance for expected credit losses for the trade receivables for the years ended in 31 December is as follows:

| | 2020 SR | 2019 SR |
|---|---|---|
| 1 January | **1,430,092** | - |
| Additions | **5,309,509** | 6,879,212 |
| Write-offs | **(6,739,601)** | (5,449,120) |
| 31 December | - | 1,430,092 |

The aging analysis of trade receivables as at 31 December, t is as follows:

| | | | **Balances that are past due but not impaired** | | | | |
|---|---|---|---|---|---|---|---|
| | **Total SR** | **Current SR** | **31-60 days SR** | **61-90 days SR** | **91-180 days SR** | **181-360 days SR** | **More than 360 days SR** |
| **2020** | **121,999,771** | **40,385,988** | **34,939,479** | **20,865,412** | **12,819,736** | **9,520,138** | **3,469,018** |
| 2019 | 74,671,558 | 42,443,104 | 15,175,302 | 8,020,400 | 3,200,135 | 5,485,186 | 347,431 |

## 11. Prepaid Expenses and Other Assets

| | 2020 SR | 2019 SR |
|---|---|---|
| Bank margins | **7,729,147** | 9,876,018 |
| Advances to suppliers | **3,221,258** | 6,500,887 |
| Prepaid expenses | **2,968,676** | 3,332,201 |
| Employee's receivables | **608,156** | 592,239 |
| Others | **20,146** | 20,146 |
| | **14,547,383** | 20,321,491 |

## 12. Cash and Cash Equivalents

| | 2020<br>SR | 2019<br>SR |
|---|---|---|
| Cash at banks | **10,099,637** | 3,086,644 |
| Cash on hand | **448,554** | 263,706 |
| | **10,548,191** | 3,350,350 |

## 13. Share Capital

The Company share capital amounting to SR 20,000,000 consist of 1,000 shares of SR 20,000 each distributed among the partners as follows as at 31 December 2020 and 2019:

| Partner | No. of shares | Share capital SR |
|---|---|---|
| The Ideal for Business and Investment Trade Company | 740 | **14,800,000** |
| Saleh bin Ibrahim bin Hamad Al Mazro | 130 | **2,600,000** |
| Nasser Abdullah bin Muhammad Al-Bassam | 130 | **2,600,000** |
| | 1,000 | **20,000,000** |

## 14. Statutory reserve

In accordance with the Regulations for Companies and the Company's Articles of Association, the Company established a statutory reserve by appropriation of 10% of the annual net profit until the reserve reached 30% of the share capital. This reserve is not available for distribution as dividends.

## 15. Employees' Defined Benefit Obligation

The Company is required to pay post-employment benefits to all employees in accordance with Saudi Labor Laws on termination of their employment. The employees' defined benefit obligation is estimated through actuarial method using the projected unit credit method.

***Reconciliation of the present value of the employees' defined benefit obligation***

| | 2020 SR | 2019 SR |
|---|---|---|
| **1 January** | 7,389,495 | 5,559,672 |
| Current service cost | 6,265,286 | 1,960,803 |
| Finance cost | 186,957 | 256,060 |
| **Total charge to profit or loss** | 13,841,738 | 7,776,535 |
| Actuarial re-measurement loss | 2,290,590 | 451,456 |
| **Total charge to other comprehensive income** | 2,290,590 | 451,456 |
| Paid | (2,315,169) | (838,496) |
| **31 December** | 13,817,159 | 7,389,495 |

***Principal actuarial assumptions***

The following significant actuarial assumptions were used by the Company for the valuation of the employees' defined benefit obligation:

| | 2020 | 2019 |
|---|---|---|
| Valuation discount rate | 3.50% | 3% |
| Expected rate of increase in salary level | 3.50% | 3% |
| Employee turnover | High | High |

***The sensitivity analysis of principal actuarial assumptions is as follows:***

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | % | SR | % | SR |
| **Valuation discount rate** | | | | |
| Increase | 1% + | 12,841,071 | 0.5% + | 7,095,741 |
| Decrease | 1% - | 14,950,494 | 0.5% - | 7,705,837 |
| **Expected rate of increase in salary** | | | | |
| Increase | 1% + | 14,938,686 | 0.5% + | 7,569,756 |
| Decrease | 1% - | 12,832,138 | 0.5% - | 7,219,216 |

## 16. Bank Facilities

### a) Long- term loans

Long term loans comprise the following:

| | 2020<br>SR | 2019<br>SR |
|---|---|---|
| Non-current portion shown under non-current liabilities | 9,953,435 | - |
| Current portion shown under current liabilities | 847,608 | - |
| | 10,801,043 | - |

The Company have obtained loans from various commercial banks. These loans generally bear finance costs based on inter-bank offer rates plus a fixed margin. Certain of these loans are secured by a mortgage on property, plant and equipment.

The long-term loans are denominated in Saudi Riyals.

The maturity schedule of long-term loans is as follows:

| | 2020<br>SR | 2019<br>SR |
|---|---|---|
| For years ended 31 December | | |
| 2021 | 847,608 | - |
| 2022 | 2,697,331 | - |
| 2023 | 2,812,080 | - |
| 2024 | 2,931,712 | - |
| 2025 | 1,512,312 | - |
| | 10,801,043 | - |

### b) Short- term loans

Short- term loans comprise the following:

| | 2020<br>SR | 2019<br>SR |
|---|---|---|
| Short-term bank loans | 67,040,118 | 60,685,448 |
| | 67,040,118 | 60,685,448 |

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rates plus a fixed margin. Management intends to roll over the short-term loans at maturity. Certain of these loans are secured by personal guarantee of the partners, signing promissory notes, and assignment of projects, trade receivables funded through these facilities.

The short-term loans are denominated in Saudi Riyals.

### c) Breach of loan covenants

The covenants of certain of the short-term and long-term borrowing facilities require the Company to maintain certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount and limit the amount of annual capital expenditures and certain other requirements.

## 17. Accrued Expenses and Other Liabilities

| | **2020** **SR** | 2019 SR |
|---|---|---|
| Customers' accruals | **17,427,536** | 7,313,566 |
| Accrued vacations | **16,106,087** | 5,668,673 |
| Unearned revenues | **11,845,299** | 14,555,041 |
| Accrued commissions | **5,665,096** | 3,496,813 |
| Advance from customers | **4,647,082** | 10,741,253 |
| Social security | **3,140,646** | 1,032,594 |
| Value added tax, net | **2,461,661** | 265,207 |
| Accrued salaries and wages | **1,596,300** | 1,769,510 |
| Professional fees | **52,500** | - |
| Others | **6,925,517** | 3,638,706 |
| | **69,867,724** | 48,481,363 |

## 18. Zakat Payable

The principal elements of the Zakat base as at 31 December are as follows:

| | **2020** **SR** | 2019 SR |
|---|---|---|
| Share capital | **2,000,000** | 1,000,000 |
| Additional share capital | **6,670,311** | - |
| Statutory reserve | **2,690,215** | 500,000 |
| Retained earning | **23,075,500** | 42,300,880 |
| Adjusted net income | **69,812,089** | 34,109,480 |
| Provisions and other adjustments | **11,147,521** | 43,643,540 |
| Investment at fair value through other comprehensive income | **(1,014,027)** | - |
| Property, plant and equipment | **(98,059,454)** | (63,871,310) |

Some of these balances are adjusted to reach for zakat base.
Zakat was calculated based on 2.5% of zakat base or net adjusted income for the year which is bigger.

The movement of Zakat payable for the year ended 31 December is as follows:

| | **2020** **SR** | 2019 SR |
|---|---|---|
| 1 January | **1,460,376** | 911,792 |
| Zakat expense | **1,745,302** | 1,460,376 |
| Paid during the year | **(1,460,376)** | (911,792) |
| 31 December | **1,745,302** | 1,460,376 |

### Zakat status

The Company has filed its zakat returns up to the year ended 31 December 2019 to the General Authority of Zakat and Tax.

## 19. Dividends

During 2020, the General Assembly of Partners approved to distribute dividends amounting to SR 22,000,000 (2019: SR 8,000,000).

## 20. Selling and Distribution Expenses

| | 2020 SR | 2019 SR |
|---|---|---|
| Salaries, wages and other benefits | **2,392,085** | 2,004,262 |
| Tenders fees | **882,344** | 680,350 |
| Travel and transportation | **215,258** | 205,700 |
| Others | **1,601,685** | 1,255,050 |
| | **5,091,372** | 4,145,362 |

## 21. General and Administrative Expenses

| | 2020 SR | 2019 SR |
|---|---|---|
| Salaries, wages and other benefits | **14,688,435** | 8,841,501 |
| Provision for expected credit losses | **5,309,509** | 6,879,212 |
| Depreciation | **2,403,542** | 2,051,139 |
| Electricity and water | **309,407** | 275,841 |
| Professional fees | **471,020** | 274,277 |
| Government fees | **371,819** | 231,691 |
| Repair and maintenance | **250,914** | 158,950 |
| Subscription | **110,748** | 50,647 |
| Telephone, postage and internet | **61,228** | 46,546 |
| Other | **1,335,598** | 3,881,424 |
| | **25,312,220** | 22,691,228 |

## 22. Other income

| | 2020 SR | 2019 SR |
|---|---|---|
| Reverse of provision no longer needed | **2,624,244** | - |
| Close suppliers' debts | **1,671,361** | - |
| Rent income | **653,015** | - |
| Recoveries of bad debts collection | **130,673** | - |
| Other | **250,695** | 1,827,727 |
| | **5,329,988** | 1,827,727 |

## 23. Contingent Liabilities

The Company is contingently liable for bank guarantees issued in the normal course of business as at 31 December

| | 2020 SR | 2019 SR |
|---|---|---|
| Letter of guarantees | 97,224,177 | 84,956,712 |
| | 97,224,177 | 84,956,712 |

## 24. Risk Management of Financial Instruments

The Company's activities expose it to various financial risk, such as credit risk, liquidity risk, market price risk, currency risk and interest rate risk.

### Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its contract assets, trade receivables and bank balances through the credit limits for each customer and monitor the uncollected receivables on continuously. Receivable balances are monitored so that the Company does not incur significant bad debts. Cash balances in the banks are maintained with high credit rating financial institutions.

### Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments for the company.

### Market risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the company profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the company currency. The Company's exposure to foreign exchange risks is primarily limited to transactions in US dollars, and the Company's management believes that its exposure to currency risks linked to the US dollar is limited because the exchange rate of the Saudi riyal is pegged to the US dollar. The fluctuation in exchange rates against foreign currencies is monitored on a continuous basis.

### Interest rate risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the company's financial position and cash flows. Management monitors changes in interest rates and manages the impact on the financial statements.

### Stock price risk

A company's investments in other companies' equity instruments are subject to market price risks resulting from uncertainty about the future values of those investments.

### 25. Significant Events

There are no significant events during the year that may require adjustments to or disclosure in these financial statements, except for the continuing existence of the emerging coronavirus (Covid-19), which has spread throughout the world, causing disruptions in business and economic activity. Given that the situation is unstable and characterized by rapid development, it is impractical to make a quantitative estimate of the potential impact of this spread on these financial statements.

### 26. Comparison Figures

Certain comparative figures for the prior period have been reclassified to conform with the presentation for the current period.

### 27. Approval of the Financial Statements

The financial statements were approved by the Company management at 27 Shawwal 1442H (corresponding 8 June 2021G).