

**Perfect Presentation for Commercial
Services Company
(Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and
Independent Auditor’s Report
For the year ended 31 December 2019**

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(Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and Independent Auditor’s Report
for the year ended 31 December 2019

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ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditor's Report

To, The Partners
Perfect Presentation for Commercial Services Company
(Limited Liability Company)
Riyadh - Saudi Arabia

Opinion:

We have audited the financial statements of **Perfect Presentation for Commercial Services Company** (the "Company") which comprises of statement of financial position as at 31 December 2019 and the related statements of profit or loss and other comprehensive income, cash flows and changes in Partners' equity for the year then ended, and the summary of significant accounting policies and explanatory notes from 1 to 22.

In our opinion, the financial statements referred to above in whole present fairly, in all material respects, the financial position of **Perfect Presentation for Commercial Services Company** as of 31 December 2019 and the results of its operations, its cash flows and changes in Partners' equity for the year then ended are in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Basis for Opinion:

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the IFRS as endorsed by SOCPA, and other standards and pronouncement issued by SOCPA in the Kingdom of Saudi Arabia, 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 are responsible for overseeing the Company's financial reporting process.

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



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of entities or businesses within the Group, to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit process. We remain solely responsible for our opinion on the review.

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

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

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



ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements:

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for companies and the Company's Article of Association in so far as they affect the preparation and presentation of the financial statements.

Date: July 14, 2020

Associated Accountants
Independent Member of Geneva Group International



Hamoud Ali Al-Rubian
(License No. 222)

Perfect Presentation for Commercial Services Company
(Limited Liability Company)
Statement of Financial Position
as of 31 December 2019
(Saudi Riyal)

	Note	2019	2018
<u>Assets</u>			
Non-current assets:			
Property, plant and equipment, net	5&4	63,871,310	20,659,452
Total non-current assets		<u>63,871,310</u>	<u>20,659,452</u>
Current assets:			
Due from related parties	6	6,922,625	5,092,499
Inventory	4&7	1,082,037	628,430
Accrued revenues		36,488,547	16,685,450
Accounts receivable, net	4&8	73,241,466	66,353,152
Prepayments, and other receivables	4&9	20,321,491	12,652,463
Cash in hand and at banks	4&10	3,350,350	6,919,928
Total current assets		<u>141,406,516</u>	<u>108,331,922</u>
Total assets		<u>205,277,826</u>	<u>128,991,374</u>
<u>Partners' Equity and Liabilities</u>			
Partners' equity:			
Share capital	11	20,000,000	1,000,000
Additional contribution in share capital		6,670,311	-
Statutory reserve	12	2,690,215	500,000
Retained earnings		48,012,814	50,300,880
Actuarial reserve	4	(2,937,314)	(2,485,858)
Total partners' equity		<u>74,436,026</u>	<u>49,315,022</u>
Liabilities:			
Non-current liabilities:			
Employees' benefit obligation	4&13	7,389,495	5,559,672
Total non-current liabilities		<u>7,389,495</u>	<u>5,559,672</u>
Current liabilities:			
Short-term loans	14	60,685,448	21,070,245
Accounts payable	4	20,138,684	34,680,168
Accruals, and other payables	4&15	41,167,797	16,351,873
Due to related parties	6	-	1,102,602
Zakat provision	4&16	1,460,376	911,792
Total current liabilities		<u>123,452,305</u>	<u>74,116,680</u>
Total liabilities		<u>130,841,800</u>	<u>79,676,352</u>
Total partners' equity and liabilities		<u>205,277,826</u>	<u>128,991,374</u>

The accompanying notes from 1 to 22 are 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 2019
(Saudi Riyal)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenues	4	306,159,332	180,226,380
Cost of revenues		(250,682,077)	(151,632,210)
Gross income		<u>55,477,255</u>	<u>28,594,170</u>
Selling and distribution expenses	4&17	(4,145,362)	(3,490,567)
General and administrative expenses	4&18	(22,691,228)	(10,837,258)
Operating income		<u>28,640,665</u>	<u>14,266,345</u>
Grants	19	-	3,596,300
Finance cost		(2,105,867)	(237,369)
Other income	4	1,827,727	801,732
Net income before Zakat		<u>28,362,525</u>	<u>18,427,008</u>
Zakat charge	4&16	(1,460,376)	(911,792)
Net income for the year		<u><u>26,902,149</u></u>	<u><u>17,515,216</u></u>
<u>Other comprehensive income:</u>			
Items that will not be reclassified to profit or loss:			
Actuarial losses from re-measurement of employees' benefit obligation	4&13	(451,456)	(1,141,198)
Total other comprehensive income		(451,456)	(1,141,198)
Total comprehensive income for the year		<u><u>26,450,693</u></u>	<u><u>16,374,018</u></u>

The accompanying notes from 1 to 22 are 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 2019
(Saudi Riyal)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Net income for the year before Zakat	28,362,525	18,427,008
Adjustments to reconcile net income before Zakat to net cash flows provided by operating activities:		
Depreciations	2,248,866	2,703,130
Bad debt expenses	5,449,120	-
Expected credit loss	1,430,092	-
Employees' benefits obligation	2,216,863	1,561,451
	<u>39,707,466</u>	<u>22,691,589</u>
Change in the components of working capital:		
Inventory	(453,607)	1,436,395
Accrued revenues	(19,803,097)	(6,547,997)
Accounts receivable	(13,767,526)	(5,813,767)
Prepayments and other receivables	(7,669,028)	(12,961,984)
Accounts payable	(14,541,484)	1,707,646
Accrued expenses and other payable	24,815,924	2,646,280
Employees' benefit obligation paid	(838,496)	(1,798,580)
Zakat paid	(911,792)	(601,643)
Net cash flows provided by operating activities	<u>6,538,360</u>	<u>757,939</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(45,460,724)	(609,420)
Net disposal of property and equipment	-	9,162
Net cash flows used in investing activities	<u>(45,460,724)</u>	<u>(600,258)</u>
Cash Flows from Financing Activities:		
Change in bank facilities	39,615,203	5,577,829
Net change in related parties' balances	3,737,583	(1,360,753)
Dividends paid	(8,000,000)	(1,500,000)
Net cash flows provided by financing activities	<u>35,352,786</u>	<u>2,717,076</u>
Net cash (used)/generated during the year	(3,569,578)	2,874,757
Cash in hand and at banks at the beginning of the year	6,919,928	4,045,171
Cash in hand and at banks at the end of the year	<u>3,350,350</u>	<u>6,919,928</u>
<u>Non-Cash Transactions:</u>		
Transfer from retained earnings to share capital (note 11)	18,500,000	-
Transfer from due to related part to additional contribution in share capital	6,670,311	-
Transfer from statutory reserve to share capital	500,000	-

The accompanying notes from 1 to 22 are an integral part of these financial statements

Perfect Presentation for Commercial Services Company
(Limited Liability Company)

Statement of Changes in Partners' Equity
for the year ended 31 December 2019

(Saudi Riyal)

	Share capital	Additional contribution in share capital	Statutory reserve	Retained earnings	Actuarial losses reserve	Total
2018						
Balance as at 31 December 2017	1,000,000	-	500,000	34,285,664	(1,344,660)	34,441,004
Net income for the year	-	-	-	17,515,216	-	17,515,216
Other comprehensive income	-	-	-	-	(1,141,198)	(1,141,198)
Total other comprehensive income	-	-	-	17,515,216	(1,141,198)	16,374,018
Dividends paid	-	-	-	(1,500,000)	-	(1,500,000)
2019						
Balance as at 31 December 2018	1,000,000	-	500,000	50,300,880	(2,485,858)	49,315,022
Net income for the year	-	-	-	26,902,149	-	26,902,149
Other comprehensive income	-	-	-	-	(451,456)	(451,456)
Total other comprehensive income	-	-	-	26,902,149	(451,456)	26,450,693
Transfer from due to related part to additional contribution in share capital	-	6,670,311	-	-	-	6,670,311
Dividends paid	-	-	-	(8,000,000)	-	(8,000,000)
Transfer to share capital	19,000,000	-	(500,000)	(18,500,000)	-	-
Transfer to statutory reserve	-	-	2,690,215	(2,690,215)	-	-
Balance as at 31 December 2019	20,000,000	6,670,311	2,690,215	48,012,814	(2,937,314)	74,436,026

The accompanying notes from 1 to 22 are 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 2019

1- Legal Status and Activities

Perfect Presentation for Commercial Services Company ("the Company") is a limited liability Company registered in Riyadh under CR. No. 1010203693 issued Shawwal 25, 1425H corresponding to December 8, 2004G.

The main activity of the Company is to engage in import, export wholesale and retail trade in computers and their spare parts, computer services (application systems and databases), maintenance of computers, configuring computer networks and extension of the infrastructure of computers, Management, maintenance and operation of telecommunications services. Import, export and marketing service for others and non-electronic business. Maintenance and operation of electronic business and communication technology. Maintenance and operation of telecommunications technology.

The company has following branches:

<u>Branch</u>	<u>Company CR. Number</u>	<u>Company registration date</u>
Riyadh	1010260349	Rajab 8, 1431H corresponding to June 20, 2010G

2- Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA")

The financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company. All values are presented in the financial statements in Saudi Riyals.

The preparation of financial statements in accordance with the 'International Financial Reporting Standard' requires the use of certain significant accounting estimates and requires management to exercise judgment in the application of the Company's accounting policies. The significant judgments and estimates used in the preparation of the financial statements will be disclosed in a separate paragraph in these financial statements.

3- Significant Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with IFRS requires the use of judgments, estimates and assumptions that may impact the value of revenues, expenses, assets and liabilities and attached notes besides disclosure of liabilities. The uncertainty in respect of these assumptions and estimates may require material adjustment to the carrying amount of asset or liability affected in future periods.

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 consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

A- Going concern principle

The company's management has no doubt about the company's ability to continue, accordingly the consolidated financial statements were prepared on going concern basis.

Perfect Presentation for Commercial Services Company
(Limited Liability Company)
Notes to the Financial Statements
for the year ended 31 December 2019

3- Significant Accounting Estimates and Assumptions (continued)

B- Estimated useful life for properties, plants and equipment

The cost of property, plant and equipment is depreciated over the expected useful life of the estimated use and obsolescence of each asset, the asset maintenance program, and technical obsolescence and asset value recoveries. The management of the company did not estimate any residual value of the assets as insignificant.

C- Provision on of expected credit losses

The provision of expected credit losses is determined through many factors to ensure that the accounts receivable balances are not overstated as a result of un-collectability, including quality and aging of the accounts receivables and other consideration of un-collectability though continuous credit evaluation of the financial positions of the customers and guarantees required from the customers certain circumstances.

D- Actuarial evaluation for obligation of end of services benefits for employees:

An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions. All assumptions are reviewed at each reporting date.

E- Measurement of fair value

Fair value is the amount to be received for the sale of an asset or the payment to convert any of the liabilities in a regular transaction between the market participants on the measurement date under prevailing market conditions (e.g. present price), regardless of whether that price is directly observable or estimated using another valuation method. The fair value measurement is based on the assumption that the sale of the asset or liability will be either:

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

The principal or most the most advantageous market must be available to the company to access it.

Fair value is measured using assumptions used by market participants when pricing assets or liabilities on the assumption that market participants are working to the best of their economic interests.

The measurement of the fair value of non-financial assets takes into account the ability of market participants to provide economic benefits by using the assets in the best interest of them or by selling them to another market participant for use in the best interests of the market. The Company uses valuation techniques that are appropriate to existing conditions and conditions and have sufficient data to measure fair value, maximize the use of relevant observable data and minimize the use of undisclosed data.

All assets and liabilities that are measured at fair value or fair value are disclosed in the financial statements are classified according to the hierarchy of the fair values set out below based on the inputs of the lower measurement input level, which is essential for measuring the fair value as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurement for unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, are evaluated on a periodic basis.

For the purpose of fair value disclosures, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Perfect Presentation for Commercial Services Company

(Limited Liability Company)

Notes to the Financial Statements

for the year ended 31 December 2019

4- Significant Accounting Policies:

Standards issued and effective

<u>Standard/Interpretation</u>	<u>Description</u>	<u>Effective Date</u>
IFRS 16	Leases	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The new lease Standard had no impact to these financial statement

Property, plant, and equipment

A- Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. The cost of acquisition of an asset includes all costs directly attributable to the acquisition transaction. The cost of manufactured assets includes the cost of materials and direct labor, all direct costs that make the assets ready for its intended purpose, the cost of dismantling, installing and transporting the assets, the cost of preparing the site to be placed, and the borrowing costs allocated to the assets eligible for capitalization.

Purchased software that is an integral part of the functionality of related hardware is also capitalized as part of those hardware. If a significant portion of an item of an asset is included within the property, the plant and equipment have a different useful life than that of the asset and is considered an independent component of the property, plant and equipment.

Any revenue or loss incurred as a result of the disposal of any item of property, plant and equipment is recognized in profit or loss and other comprehensive income. The cost of replacing any part of an item of property, plant and equipment and any subsequent expenditure is capitalized over its carrying amount when it results in an increase in future production benefits to the Company and its cost is reliably measurable. The carrying amount of the asset that is replaced is written off. The daily maintenance expense of property, plant and equipment is recognized in the statement of profit or loss.

B- Subsequent capital expenditure

Replacement cost of a part of an item in properties, plants and equipment and any other subsequent capital expenditure is recognized at the book value if:

- It is probable that the future economic benefits will flow to the Company due to the added part, expense or cost incurred.
- Its cost can be measured reliably. The book value of the asset that was replaced shall be written off.

C- Depreciation

Depreciation is calculated on the basis of cost of assets less the residual value of assets beyond their useful life (residual value) using the straight-line method over the useful life of the assets and using the following percentages and years:

<u>Title</u>	<u>Percentage of depreciation</u>
Buildings	5-10%
Motor vehicles	20%
Furniture and fixtures	14-28%
Computers	14-28%
Construction and fittings	25%
Improvement and decoration	25%
Websites	25%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Perfect Presentation for Commercial Services Company
(Limited Liability Company)
Notes to the Financial Statements
for the year ended 31 December 2019

4- Significant Accounting Policies (continued):

Inventories:

Inventories are valued at the end of the year at the lower of cost and net realizable value, and the cost price is determined on a weighted average method. The cost of finished goods and work in progress include the cost of material and all the expenses that's related to the acquisition of inventory, production, conversion costs and direct expenses based on normal operating capacity and their carrying of their share of indirect expenses appropriately specified by the management of the company and which is clearly related to the inventory.

In accordance with the Company's policy, a provision is made for damaged or stagnant goods and slow movement, if any.

Receivables, net and other receivables

Trade and other receivables are initially recognized at the transaction price for receivables that do not have a ready-made financing component. The Company applies a simplified approach to calculate the expected credit loss provision that allows for the use of expected loss provision over the life of the debt for all trade receivables. The provision for impairment is based on the best estimate of the Company's expected credit losses related to these receivables.

This estimate depends on the financial situation of customers and the experience of writing off previous debts. Provision against these receivables are written off after all means of collection have been exhausted and recovery is considered to be excluded. Bad debts written off are recorded in the statement of profit or loss as incurred.

Cash in hand and at bank

Represent cash in hand, and current accounts of the banks.

Employees' benefits obligation

- Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under other payables

- Long-term obligation

The Company provides end of service benefits to its employees in accordance with the requirements of Ministry of Labor of the Kingdom of Saudi Arabia. The entitlement to these benefits, is based upon the employees' basic salary Housing and Transportation and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

The employees' benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

Perfect Presentation for Commercial Services Company
(Limited Liability Company)
Notes to the Financial Statements
for the year ended 31 December 2019

4- Significant Accounting Policies (continued):

Employees' benefits obligation (continued):

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality United States government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognized immediately in the statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in Employees' benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Trade payables and other payables

These amounts represent unpaid liabilities for goods and services provided to the Company before the end of the period. These unsecured amounts are usually paid within 30 to 90 days from the date of their recognition. Trade and other payables are included in current liabilities except for those that are due within 12 months of the reporting date. These amounts are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Provision for Zakat

The Zakat provision for each financial period is recognized and measured separately in accordance with the regulations of the General Authority for Zakat and Tax in the Kingdom of Saudi Arabia and on an accrual basis. Zakat payments are charged to the statement of comprehensive income. Zakat is settled in the financial year during which the final status is approved.

Revenue Recognition

The companies recognize revenue from the following sources:

- Revenue from selling goods.
- Revenue from service contracts.
- Revenue from project contracts.

Revenue is measured at the fair value of the consideration received or received by the Company for these sales (receivable) taking into account the terms of payment specified in the contract and excluding taxes or fees. Sales are shown net of sales and deductions, and revenue is recognized to the extent that it is probable that Economic benefits of the company Revenues and costs can be measured reliably.

A- Revenue from selling goods

Sales are recognized when the goods are delivered to the customer, and the customer has full authority over the sales channels and prices of those goods, and no unfulfilled contractual obligation may affect the customer's acceptance of the goods.

B- Revenue from service contracts

Revenue from service contracts is recognized in the accounting period in which the services are rendered.

- Maintenance contracts: Revenue is recognized based on actual service provided up to the end of the reporting period as a percentage of the total services to be provided.
- Installation contracts: Revenue is recognized based on the supply and implementation of the phases of installation where each stage of installation is accounted for as a separate obligation to perform.

Perfect Presentation for Commercial Services Company

(Limited Liability Company)

Notes to the Financial Statements

for the year ended 31 December 2019

4- Significant Accounting Policies (continued):

Revenue Recognition (continued):

C- Revenue from project contracts

At the time of conclusion of the contract, the Company determines the performance obligations associated with each contract. For this purpose, the Company evaluates the contractual terms and its normal business practices to determine whether there are separate performance obligations within each contract. The Company sets the transaction price for each contract, for the purpose of determining the transaction price for all of the above performance obligations, as an amount that the Company expects to receive in return for the transfer of promised goods or services to the customer, except for amounts collected on behalf of third parties. After determining the transaction price of the contract, the Company allocates the transaction price to performance obligations in an amount indicating the amount of compensation that the Company expects to receive for the fulfillment of each performance obligation.

The Company recognizes revenue when the performance obligations associated with contracts are met, which occur when the goods or service is transferred to the customer. For performance obligations that are met over time, revenue is recognized by measuring the achievement that has actually been made towards the full fulfillment of the performance obligation. In measuring the achievement that has already been made towards the full fulfillment of the performance obligation, the Company applies the “input” method based on the contract cost incurred to date. For performance obligations performed at a specified time, revenue is recognized at the time the specified performance obligation is met.

D- Recognition of revenue from other sources

-Profits and losses resulting from disposal of property, plant and equipment

Profit and losses arising on disposal of property, plant and equipment are recognized in the statement of profit or loss and the period in which the asset is disposed of.

-Recovery of expected credit losses

Recovery of expected credit losses is recognized as income through the statement of profit or loss and, in turn, as a reduction from the provision for anticipated credit losses or when received.

-Other incomes

Other income is recognized in the statement of profit or loss when conditions are met.

Selling and distribution expenses

These are expenses resulting from the company's efforts related to the sales and marketing function and are represented in the company's advertising campaigns.

General and administrative expenses

These are management-related expenses, which are not related to the main activity or sales and marketing function. Allocations between cost of revenues, general and administrative expenses, when required, are made on consistent basis

Impairment of non-financial assets:

The Company annually assesses whether there are any indications that any of its assets have been impaired. If any indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount of the asset, the asset is impaired and is recognized immediately in profit or loss and other comprehensive income.

Impairment losses are assessed at the amount recognized in prior periods at the time of reporting, to ensure that indicators indicate that losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to estimate the recoverable amount. Impairment losses are reversed only to the extent of the assets carrying amount so that it does not exceed the net carrying amount less depreciation or amortization before any impairment loss has been recognized.

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4- Significant Accounting Policies (continued):

Provisions

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. The amount recognized as a provision is the best estimate of the present obligations to be settled at the end of the period covered by the financial statements, taking into account the risks and uncertainties that may surround them.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is disclosed in the statement of financial position if there is a currently enforceable legal right to offset recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Foreign currencies transactions:

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Monetary assets and liabilities denominated in foreign currencies are assessed at the year end based on the exchange rates at that date. Exchange differences arising on changes in exchange rates are treated in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at their historical cost are translated using the historical exchange rates at the time of the transaction. 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 a gain or loss on change in fair value of the item (i.e., For items where gains or losses on changes in fair value are transferred to the consolidated statement of other comprehensive income or consolidated statement of profit or loss, translation differences are transferred to the consolidated statement of other comprehensive income or consolidated statement of profit or loss, respectively).

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<u>5-Property, plant and Equipment</u>	<u>Lands</u>	<u>Buildings</u>	<u>Motor vehicle</u>	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Construction and fitting</u>	<u>Improvements and decorations</u>	<u>Websites</u>	<u>Total</u>
Cost									
Balance as of 31 December 2018	3,587,500	16,346,643	1,327,900	2,281,014	7,676,458	748,799	1,870,177	1,361,232	35,199,723
Additions	-	45,062,356	-	360,727	37,641	-	-	-	45,460,724
Balance as of 31 December 2019	3,587,500	61,408,999	1,327,900	2,641,741	7,714,099	748,799	1,870,177	1,361,232	80,660,447
Accumulated depreciation									
Balance as of 31 December 2018	-	(3,477,371)	(722,720)	(1,328,780)	(5,304,731)	(592,590)	(1,752,847)	(1,361,232)	(14,540,271)
Charge for the year	-	(966,596)	(258,037)	(307,895)	(628,396)	(81,329)	(6,613)	-	(2,248,866)
Balance as of 31 December 2019	-	(4,443,967)	(980,757)	(1,636,675)	(5,933,127)	(673,919)	(1,759,460)	(1,361,232)	(16,789,137)
Book value:									
As of 31 December 2019	3,587,500	56,965,032	347,143	1,005,066	1,780,972	74,880	110,717	-	63,871,310
As of 31 December 2018	3,587,500	12,869,272	605,180	952,234	2,371,727	156,209	117,330	-	20,659,452

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6- Related Parties Transactions

	Relationship	Nature of relationship	Nature of transactions	2019		2018	
				Debit	Credit	Debit	Credit
Cloud Distribution for Communications and Information Technology Company		Affiliate	Trading & Financing	2,674,538	-	-	930,446
Sustainable Energy Company		Affiliate	Trading & Financing	1,359,983	-	-	172,155
Perfect Presentation for Commercial Services Company - Jordan		Affiliate	Financing	1,143,908	-	1,126,270	-
Perfect Presentation for Commercial Services Company - Egypt		Affiliate	Financing	882,335	-	882,335	-
Information Technology Belt Company		Affiliate	Trading & Financing	624,525	-	244,991	-
Naser Abdullah bin Mohammed Al Bassam		Partner	Financing	90,229	-	-	-
Saleh bin Ibrahim bin Hamad Al Mazro'o		Partner	Financing	73,107	-	-	-
The Ideal for Business and Investment Trade Company		Partner	Financing	74,000	-	2,838,903	-
				6,922,625	-	5,092,499	1,102,602

- During 2019, the Company conducted transactions with related parties including financing and trading transactions, which were conducted on arm's length basis and were approved by partners. The above balances are non-interest bearing and there are no specific terms of repayment.

- Significant transactions with related parties

	Transaction	Nature of transaction	2019
Cloud Distribution for Communications and Information Technology Company	Settlement of expenses on behalf of the related party	Dr.	14,784,088
	Advance payment	Dr.	1,500,000
	Receipt from related party	Cr.	(7,598,839)
Sustainable Energy Company	Settlement of account receivables against expenses paid on behalf of the related party	Cr.	(5,080,265)
	Paying various expenses on behalf of the related party	Dr.	3,315,961
Information Technology Belt Company	Settlement of account receivable against expenses paid on behalf of the related party	Cr.	(1,783,823)
	Paying various expenses on behalf of the related party	Dr.	1,221,992
	Repayment of financing collected from a related party during the year	Dr.	7,000,000
	Funding from a related party	Cr.	(7,000,000)
	Expenses paid by the related party on behalf of the company	Cr.	(292,100)
	Settlement of trade receivables against expenses paid on behalf of the related party	Cr.	(550,358)

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6- Related Parties Transactions (continue)

- Significant transactions with related parties (continued):

	<u>Transaction</u>	<u>Nature of transaction</u>	<u>2019</u>
The Ideal for Business & Investment Trade Co.	Collecting financing from a partner	Cr.	(9,435,214)
	Announcement of dividend distribution	Cr.	(4,000,000)
	Pay dividends	Dr.	<u>4,000,000</u>

7- Inventory

	<u>2019</u>	<u>2018</u>
Bulk messages	1,082,037	628,430
	<u>1,082,037</u>	<u>628,430</u>

8- Accounts Receivable

	<u>2019</u>	<u>2018</u>
Trade accounts receivables	74,671,558	66,353,152
Expected credit losses provision	(1,430,092)	-
	<u>73,241,466</u>	<u>66,353,152</u>

- Movement in the expected credit losses provision was as follows in December 31,

	<u>2019</u>	<u>2018</u>
Opening balance for the year	-	-
Charged during the year	1,430,092	-
Used during the year	-	-
Closing balance for the year	<u>1,430,092</u>	<u>-</u>

9- Prepayments, and Other Receivables

	<u>2019</u>	<u>2018</u>
Margin deposit	9,331,211	6,745,840
Advance to suppliers	6,500,887	1,217,721
Prepayments	3,332,201	4,185,207
Due from employees	592,239	204,133
Others	564,953	299,562
	<u>20,321,491</u>	<u>12,652,463</u>

10- Cash in Hand and at Banks

	<u>2019</u>	<u>2018</u>
Cash in hand	263,706	308,739
Cash at banks	3,086,644	6,611,189
	<u>3,350,350</u>	<u>6,919,928</u>

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11- Share Capital

During 2019, the legal procedures to authenticate the increase of shares capital were completed. Thus, the paid-up and declared capital amounted to SR. 20,000,000 divided into 1,000 equal cash shares, each share worth SR 20,000, fully paid, and distributed among partners before the amendment and after the amendment as follows:

	Before the Amendment		
	No. of Shares	Value	Amount
Naser Abdullah bin Mohammed Al Bassam	130	1,000	130,000
Saleh bin Ibrahim bin Hamad Al Mazro'o	130	1,000	130,000
The Ideal for Business & Investment Trade Co.	740	1,000	740,000
	1,000		1,000,000

	After the Amendment		
	No. of Shares	Value	Amount
Naser Abdullah bin Mohammed Al Bassam	130	20,000	2,600,000
Saleh bin Ibrahim bin Hamad Al Mazro'o	130	20,000	2,600,000
The Ideal for Business & Investment Trade Co.	740	20,000	14,800,000
	1,000		20,000,000

12- Statutory Reserve

In accordance with company's law, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital.

13- Employees' Benefit Obligation

As at December 31, the provision for employees' benefit obligation was as follows:

	2019	2018
Opening balance for the year	5,559,672	4,655,603
Current cost	1,960,803	1,381,779
Finance cost	256,060	179,672
Paid during the year	(838,496)	(1,798,580)
Actuarial losses from re-measurement of employees' benefits obligation	451,456	1,141,198
Closing balance for the year	7,389,495	5,559,672

The following represent the significant assumptions used in actuarial valuation:

Discount rate	%3,00	%4,25
Salary increment	%3,00	%4,25

14- Bank Facilities

The Company has obtained credit facilities from local banks in a form of Islamic Murabaha. The aforementioned facilities are secured by personal guarantee of the partners, signing promissory notes and assigning certain projects' receivable funded through these facilities. The amounts utilized from the aforementioned facilities as of December 31, were as follows:

	2019	2018
Short-term loans	60,685,448	21,070,245

- The finance charges pertaining to these facilities were included in the statement of profit and loss and other comprehensive income.

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15- Accruals, and Other Payables

	<u>2019</u>	<u>2018</u>
Accrued Salaries and wages	4,174,632	8,924,304
Unearned revenues	14,555,041	452,875
Advances from clients	10,741,253	39,438
Accrued employees' vacations expenses	5,668,673	2,761,587
Commissions provision	2,100,000	-
Accrued value added tax	265,207	1,352,334
Accrued project expenses	-	1,637,783
Others	3,662,991	1,183,552
	<u>41,167,797</u>	<u>16,351,873</u>

16- Provision for Zakat

The Company's Zakat base consists of the following:

A- Net adjusted income method:

	<u>2019</u>	<u>2018</u>
Net income before Zakat	28,362,525	18,427,008
Expected credit loss provision	1,430,092	-
Employees' benefit obligation provision	2,216,863	1,561,451
Commissions provision	2,100,000	-
Net adjusted profit	<u>34,109,480</u>	<u>19,988,459</u>

B- Zakat base of the company is compromised as followings:

Share capital	1,000,000	1,000,000
Statuary reserve	500,000	500,000
Net adjusted profit	-	19,988,459
Retained earning	42,300,880	32,785,664
Employees' benefit obligation	4,721,176	2,857,023
Bank facilities	38,922,364	-
	<u>87,444,420</u>	<u>57,131,146</u>

Less:

Property, plant, and equipment, net	(63,871,310)	(20,659,452)
Zakat base (Equity method)	<u>23,573,110</u>	<u>36,471,694</u>
Zakat base (Net adjusted profit)	<u>34,109,480</u>	<u>19,988,459</u>
Zakat charge on equity @ 2.57768%	<u>607,639</u>	-
Zakat charge on net adjusted profit @ 2.5%	<u>852,737</u>	-
Net zakat charge	<u>1,460,376</u>	<u>911,792</u>

C- Movement in provision for Zakat as December 31, can be summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	911,792	601,643
Provided during the year	1,460,376	911,792
Paid during the year	(911,792)	(601,643)
Balance at the end of the year	<u>1,460,376</u>	<u>911,792</u>

D- Zakat status:

The Company has obtained its Zakat certificate for the year ended December 31, 2019 from GAZT.

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17- Selling and Distribution Expenses

	<u>2019</u>	<u>2018</u>
Salaries and wages and other benefits	2,004,262	2,131,329
Tenders fees	680,350	287,500
Travel expenses	205,700	113,096
Miscellaneous	1,255,050	958,642
	<u>4,145,362</u>	<u>3,490,567</u>

18- General and Administrative Expenses

	<u>2019</u>	<u>2018</u>
Salaries, wages and other benefits	8,841,501	6,709,557
Bab debit written off	5,449,120	-
Depreciation	2,051,139	2,251,641
Expected credit loss	1,430,092	-
Utilities	275,841	257,313
Professional fees	274,277	557,854
Governmental fees	231,691	164,374
Repair and maintenance	158,950	116,208
Subscription	50,647	51,451
Telephone, postage, and internet	46,546	100,603
Hospitality	-	91,651
Miscellaneous	3,881,424	536,606
	<u>22,691,228</u>	<u>10,837,258</u>

19- Grants

In accordance with the agreement with the partners on 31 December 2018. The partner has decided to wave their whole due to balance to the Company.

20- Contingent liabilities

Companies have the following contingent liabilities as 31 December 2019:

	<u>2019</u>	<u>2018</u>
Letters of guarantee	84,956,712	29,500,000

21- Financial Instruments - Risk Management

Fair value:

Is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions. As the Company's financial instruments are compiled under the historical cost method, differences can arise between the book amounts and the fair value estimates. Management believe that the fair value of the company's financial assets and liabilities are not materially different from their carrying values.

Credit risk:

Credit risk represents the inability of a counterparty to meet its obligations, causing the other party to incur a financial loss. The Company maintains cash with local banks with a good credit rating. The balance of accounts receivable is shown after deduction of credit losses.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in obtaining funds to meet its financial instrument liabilities. Liquidity risk may arise from the inability to sell a financial asset quickly at approximately its fair value. The Company manages liquidity risk by ensuring that bank facilities are available

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21- Financial Instruments - Risk Management (continue)

Currency risk:

Currency risk is the risk that the value of financial instrument will fluctuate due to fluctuations in foreign exchange rates the company's transactions are mostly is Saudi riyal and US Dollars. Furthermore, the Saudi Riyals is connected with the United States Dollar therefore, the currency risk is being well managed by the Company.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets and liabilities as at the balance sheet date, except for loans, are not exposed to interest rate risk. Some borrowings bear a floating rate of interest plus credit margin based on prevailing market interest rates. The Company has adopted a hedging strategy to control exposure to interest rate fluctuations.

22- Comparative Figures

Certain prior year figures were reclassified to conform to the current year presentation.