SAUDI NETWORKERS SERVICES COMPANY
(A LISTED JOINT STOCK COMPANY)

THE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

SAUDI NETWORKERS SERVICES COMPANY
(A LISTED JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditor's report to the shareholders of Saudi Networkers Services Company

Report on the audit of consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saudi Networkers Services Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- consolidated statement of financial position as at 31 December 2022;
- consolidated statement of comprehensive income for the year then ended;
- consolidated statement of changes in equity for the year then ended;
- consolidated statement of cash flows for the year then ended;
- notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the (Auditor's Responsibilities for the audit of the consolidated financial Statements section of our report).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter	• Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report to the shareholders of Saudi Networkers Services Company (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group's revenue from continuing operations mainly comprises of providing technical and technological consulting services on an individual basis to telecommunications, banking, IT vendors, operators, and sub-contracting companies amounting to Saudi Riyals 478.6 million for the year ended 31 December 2022 (31 December 2021: Saudi Riyals 462.7 million). IFRS 15 - 'Revenue from Contracts with Customers' requires management to follow a 5 step process when recognising revenue. IFRS 15 also requires management to apply judgement when assessing whether the Group acts as a principal or agent. The assessment whether the Group acts as a principal or agent affects whether revenue is presented on a gross or a net basis. Due to the judgements involved in the principal vs agent consideration according to IFRS 15 and the consequential effect on the Group's presentation of revenues on a gross or net basis, we consider this a key audit matter. *Refer to Note 2.3 and Note 4 to the consolidated financial statements for the accounting policy and significant judgments made relating to the recognition of revenue from contracts with customers.*	Our audit procedures included the following; • Gained an understanding of the revenue recognition process; • Performed a walkthrough of the different revenue types and evaluating the design of controls in this area; • Assessed the revenue recognition policy based on IFRS 15, in particular where management applied judgment as to whether it acted as a principal or as an agent; • Examined whether revenue is recognised in accordance with the Group's revenue recognition policy; • Obtained a sample of revenue transactions and tested the recognition criteria and accuracy of the recognised amounts; • Selected a sample of transactions before and after the year end to consider recognition of revenue in the appropriate reporting period; and • Assessed the adequacy of the Group's disclosures in the financial statements in connection with revenue recognition.

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Independent auditor's report to the shareholders of Saudi Networkers Services Company (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report of the Company, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance i.e. the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditor's report to the shareholders of Saudi Networkers Services Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

22 March 2023

Saudi Networkers Services Company
(A Listed Joint Stock Company)

Consolidated statement of financial position
As at 31 December 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	As at 31 December 2022	2021
Assets			
Non-current assets			
Property and equipment	5	**427,514**	437,173
Right-of-use assets	6	**709,546**	1,489,382
Total non-current assets		**1,137,060**	1,926,555
Current assets			
Trade receivables	7	**154,958,481**	124,959,145
Prepayments and other assets	9	**9,824,611**	18,166,002
Cash and cash equivalents	10	**8,690,700**	9,987,507
Assets from discontinued operations	28	**9,900,085**	15,892,471
Total current assets		**183,373,877**	169,005,125
Total assets		**184,510,937**	170,931,680
Equity and liabilities			
Equity			
Share capital	11	**60,000,000**	60,000,000
Statutory reserve	12	**7,066,906**	3,833,696
Retained earnings		**25,200,987**	3,339,399
Foreign currency translation reserve		**(9,649,653)**	(9,860,021)
Net equity attributable to owner of the Parent Company		**82,618,240**	57,313,074
Non-controlling interest		**84,548**	92,945
Total equity		**82,702,788**	57,406,019
Liabilities			
Non-current liabilities			
Defined benefits liabilities	13	**21,072,995**	18,658,885
Lease liabilities	6	**332,307**	1,027,653
Total non-current liabilities		**21,405,302**	19,686,538
Current liabilities			
Lease liabilities	6	**439,358**	522,400
Accounts payable	14	**507,361**	829,423
Accrued expenses and other liabilities	15	**52,865,495**	42,608,560
Short-term borrowing	16	**22,978,975**	40,801,349
Provision for zakat	18	**3,219,304**	2,545,695
Liabilities from discontinued operations	28	**392,354**	6,531,696
Total current liabilities		**80,402,847**	93,839,123
Total liabilities		**101,808,149**	113,525,661
Total equity and liabilities		**184,510,937**	170,931,680

Chairman   Chief Executive Officer   Chief Financial Officer

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Saudi Networkers Services Company
(A Listed Joint Stock Company)

Consolidated statement of comprehensive income
For the year ended 31 December 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31, 2022	2021
Continuing operations:			
Revenue	19	**478,629,400**	462,792,369
Cost of revenue	20	**(415,395,747)**	(408,519,139)
Gross profit		**63,233,653**	54,273,230
Expenses			
Selling and marketing expenses	21	**(9,482,397)**	(8,561,324)
General and administrative expenses	22	**(16,992,842)**	(13,535,236)
Impairment loss on financial assets	7	**(1,132,890)**	(1,954,754)
Operating profit		**35,625,524**	30,221,916
Finance cost		**(1,716,637)**	(1,257,550)
Other income		**2,617,610**	127,013
Profit before zakat		**36,526,497**	29,091,379
Zakat	18	**(3,075,097)**	(2,568,910)
Profit for the year from continuing operations		**33,451,400**	26,522,469
Discontinued operations:			
(Loss) / profit from discontinued operations	28	**(1,129,933)**	1,832,152
Profit for the year		**32,321,467**	28,354,621
Profit is attributable to:			
Owner of the parent company		**32,332,101**	28,336,965
Non-controlling interest		**(10,634)**	17,656
		32,321,467	28,354,621
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liabilities	13	**2,751,608**	(1,416,514)
Items that may be reclassified to profit or loss:			
Movement in foreign currency translation reserve from discontinued operations	28	**212,493**	(865,706)
Other comprehensive income from discontinued operations	28	**11,201**	(39,243)
Total other comprehensive income / (loss) for the year		**2,975,302**	(2,321,463)
Total comprehensive income for the year		**35,296,769**	26,033,158
Total comprehensive income attributable to:			
Owner of the parent company		**35,305,166**	26,024,551
Non-controlling interest		**(8,397)**	8,607
		35,296,769	26,033,158
Earnings per share for profit attributable to the shareholders of the company:			
Basic and diluted earnings per share	23	**5.4**	4.7

Chairman | Chief Executive Officer | Chief Financial Officer

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Equity attributable to the owner of the parent company						
	Share capital	**Statutory reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
As at 1 January 2021	2,000,000	1,000,000	56,391,494	(9,002,972)	50,388,522	84,338	50,472,860
Profit for the year	-	-	28,336,965	-	28,336,965	17,656	28,354,621
Other comprehensive loss	-	-	(1,455,365)	(857,049)	(2,312,414)	(9,049)	(2,321,463)
Total comprehensive income (loss) for the year	-	-	26,881,600	(857,049)	26,024,551	8,607	26,033,158
Capital enhancement	58,000,000	-	(58,000,000)	-	-	-	-
Dividend (Note 17)	-	-	(19,099,999)	-	(19,099,999)	-	(19,099,999)
Transfer to statutory reserve	-	2,833,696	(2,833,696)	-	-	-	-
As at 31 December 2021	60,000,000	3,833,696	3,339,399	(9,860,021)	57,313,074	92,945	57,406,019
Profit for the year	-	-	32,332,101	-	32,332,101	(10,634)	**32,321,467**
Other comprehensive income	-	-	2,762,697	210,368	2,973,065	2,237	**2,975,302**
Total comprehensive income (loss) for the year	**-**	**-**	**35,094,798**	**210,368**	**35,305,166**	**(8,397)**	**35,296,769**
Dividend (Note 17)	-	-	(10,000,000)	-	(10,000,000)	-	**(10,000,000)**
Transfer to statutory reserve	-	3,233,210	(3,233,210)	-	-	-	**-**
As at 31 December 2022	**60,000,000**	**7,066,906**	**25,200,987**	**(9,649,653)**	**82,618,240**	**84,548**	**82,702,788**

Chairman | Chief Executive Officer | Chief Financial Officer

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Saudi Networkers Services Company
(A Listed Joint Stock Company)

Consolidated statement of cash flows
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Notes	**2022**	**2021**
Profit before zakat from continuing operations		**36,526,497**	29,091,379
(Loss)/ profit from discontinued operations		**(1,129,933)**	1,832,152
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	5,6	**741,012**	866,778
Loss on sale of property and equipment		**-**	4,277
Gain on termination of lease		**7,403**	-
Provision for employees' defined benefits liabilities	13	**7,534,934**	6,380,043
Interest expense		**58,870**	88,062
Expected credit loss on trade receivables	7	**1,132,890**	1,954,754
Loss / (profit) from discontinued operations		**1,129,933**	(1,832,152)
Operating cashflows before working capital changes		**46,001,606**	38,385,293
Changes in operating assets and liabilities:			
Trade receivables, prepayments and other assets		**(23,844,030)**	(21,008,213)
Accounts payable, accrued expenses and other liabilities		**9,934,874**	2,721,906
Cash generated from operations		**32,092,450**	20,098,986
Employees' defined benefit paid	13	**(2,369,216)**	(4,113,251)
Zakat and income tax paid		**(2,401,488)**	(2,029,475)
Net cash flows from operating activities		**27,321,746**	13,956,260
Investing activity			
Purchase of property and equipment	5	**(175,338)**	(209,074)
Net cash used in investing activity		**(175,338)**	(209,074)
Financing activities			
Proceeds from short-term borrowing	16	**390,918,339**	282,592,313
Repayment of short-term borrowing	16	**(408,740,713)**	(276,190,283)
Dividends paid	17	**(10,000,000)**	(19,987,606)
Repayment of lease liabilities	6	**(620,841)**	(728,568)
Net cash flows used in financing activities		**(28,443,215)**	(14,314,144)
Net decrease in cash and cash equivalents		**(1,296,807)**	(566,958)
Cash and cash equivalents at the beginning of the year	10	**9,987,507**	10,554,465
Cash and cash equivalents at the end of the year	10	**8,690,700**	9,987,507
Non-Cash transactions:			
Acquisition of right-of-use assets and lease liabilities		**-**	998,431

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

1 General information

Saudi Networkers Services Company (the "Company") was formed as a joint stock company registered in Riyadh city, Kingdom of Saudi Arabia ("KSA") under commercial registration number 1010173733 dated 19 Dhul-Qadah 1422H (corresponding to 2 February 2002). The Company's registered address is PO Box: 25141 Riyadh 11466, Kingdom of Saudi Arabia. The Company has an authorized and issued share capital of Saudi Riyals ("SAR") 60,000,000 divided into 6,000,000 with a nominal value of SAR 10 per share (Note 11).

The principal activities of the Company are implementing, establishing, maintaining, operating, installing and managing telecommunication networks. The Company is also involved in providing the consulting, technical, administrative, marketing, customer care services and technical support for sales centers.

The consolidated financial statements include the financial position, results of operations and cash flows of the Company and SNSALG SARL (the "subsidiary"), a limited liability company registered in People's Democratic Republic of Algeria, under commercial registration (CR) number 0971273B06 dated 26 Jumaada II 1427H (collectively refer as the "Group"), the subsidiary is 99% owned by the Company and is engaged in providing technical consultants on an individual basis to telecommunications, oil and gas and IT vendors, operators and sub-contracting companies.

During 2021, the Group announced its intention to close the subsidiary. As at 31 December 2022, the subsidiary is under the liquidation process, however the subsidiary is not completely liquidated at the reporting date. Subsequently, the Group has decided to show the subsidiary as a discontinued operation. The subsidiary will be completely liquidated during 2023 after completing the legal formalities in compliance with the local regulations of Algeria.

2 Significant accounting policies

These consolidated financial statements are the statutory financial statements of the Group for the year ended 31 December 2022.

2.1 Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in Saudi Arabia").

The consolidated financial statements have been prepared on a historical cost basis expect for employee defined benefit liability which is recognised at the present value of future obligations using the Projected Unit Credit Method ("PUCM"). The consolidated financial statements are presented in SAR.

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through the investee.

2 Significant accounting policies (Continued)

2.2 Basis of consolidation (continued)

Subsidiary is an investee, that the Group controls because the Group (i) has power to direct the relevant activities of the investee that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investee, and (iii) has the ability to use its power over the investee to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiary is consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of a subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

2 Significant accounting policies (Continued)

2.2 Basis of consolidation (continued)

Disposal of subsidiary: When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of comprehensive income.

2.3 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has concluded that it is the principal in its revenue arrangements, because it has control over the services provided to the customers.

The Group has applied the following accounting policy for revenue recognition: the Group recognises revenue from contracts with customers based on a five-step model as set in IFRS 15:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties (if any).
- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time (through input method based on the time spent by the consultants), as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenues of the Company is derived from three types of streams.

Direct: based on the nature of the projects and customer’s needs for certain services from the company, the customer requests the company to delegate consultants to provide their service to them; where the company goes through the process of hiring and interviewing qualified and capable consultants on the top of its existing consultants as per the service specification to be provided to its customer;

Managed-Hosting: customer request for a specific skill set for certain projects with the specified job description for which certain consultants are arranged and assigned by the company for the provision of services to the customer; and

Other: per the contractual agreement (direct and managed-hosting agreements) between the company and its customers, and after a specific period of service by the consultant, the client may request the company to have a direct employment with the consultant where the company will charge a one-time fixed fee covering no billing of future services.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entity are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). These consolidated financial statements are presented in Saudi Riyals which is the Company’s functional and Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of income.

2 Significant accounting policies (Continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in the consolidated statement of income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entity, and of borrowings are recognised in consolidated statement of comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs the obligation by transferring 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.

2.5 Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

2.6 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

2.7 Zakat and Income tax

Zakat

The Group is subject to Zakat in accordance with the Zakat regulations issued by the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Zakat is recognised in the consolidated statement of comprehensive income. The Group’s management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation.

2 Significant accounting policies (Continued)

2.7 Zakat and Income tax (continued)

Income Tax

Income tax for subsidiary is calculated in accordance with laws and regulations as applicable in People's Democratic Republic of Algeria.

Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that future taxable amounts will be available against which these assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

2.8 Group Subsidiary

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions.

2.9 Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the laws of KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.10 Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

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

2 Significant accounting policies (Continued)

2.11 Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2.12 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2 Significant accounting policies (Continued)

2.13 Financial instruments (continued)

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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes trade receivables.

2 Significant accounting policies (Continued)

2.13 Financial instruments (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in Note 5.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, dividend payable, lease liabilities and short-term borrowings.

2 Significant accounting policies (Continued)

2.13 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Group does not have any financial liabilities which falls in first category.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing 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.

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.14 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in Note 5.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

2 Significant accounting policies (Continued)

2.14 Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.14.1 Provisions

Provisions are recognised when the Group 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income 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 recognised as a finance cost.

2.15 Defined benefit liabilities

The Group operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of revenue', 'Selling and marketing expenses' and 'General and administration expenses' in the consolidated statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and
- non-routine settlements
- Net interest expense or income

2 Significant accounting policies (Continued)

2.16 Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies and the Company's Articles of Association, the Group is required to transfer 10% of the net income for the year to the statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the capital. This reserve is not available for distribution to the shareholders of the Group.

2.17 Expenses

Selling and distribution expenses and general and administrative expenses are operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue.

2.18 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's relevant business heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group's operating segments are analysed and aggregated based on their geographical locations

3 New standards, amendments and standards adopted by the Group

There are no new standards applicable to the Group, however, the Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2022.

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; and
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021.

No material impact was identified upon adoption of the new and amended standards.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2023 or later reporting periods and have not been early adopted by the Group. Such standards are not expected to have a material impact in the future reporting periods and on foreseeable future transactions.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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.

Judgements

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

Revenue from contracts with customers

Satisfaction of performance obligation
The Group has assessed that the performance obligation relating to the rendering of services is satisfied as the services are rendered to the customer. Accordingly, revenue is recognised over time during the contractual term of the service contract with the customer.

Principal versus agent consideration

The Group has concluded that it is the principal in all of its revenue arrangements due to the following factors;
- the Group has the primary responsibility and is the primary obligor for the services delivered by the consultants;
- the Group has a direct relationship with the customer and controls the underlying services and deliverables provided to the end customers;
- the Group remains solely responsible for the quality of the services and deliverables which are delivered by the consultants;
- the Group has the sole responsibility in deciding which consultants are allocated for delivering the services to the customers; and
- the Group has latitude in determining the prices with all parties.

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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 Group 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 that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate 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 geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

4 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the service sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 7.

Defined benefit liabilities

The cost of the defined benefit liabilities and the present value of the defined benefit liabilities are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Leases - Estimating the incremental borrowing rate

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

5 Property and equipment

The estimated useful lives of the assets for the calculation of depreciation are as follows

Leasehold improvements	Shorter of 3 years or lease period
Furniture and fixtures	6 to 7 years
Computers	2 to 4 years
Tools and equipment	2 to 5 years

(All amounts in Saudi Riyals unless otherwise stated)

5 Property and equipment (continued)

	Leasehold improvements	Furniture and fixtures	Computers	Tools and equipment	Total
Cost					
Balance as at 1 January 2021	1,149,261	340,881	2,332,769	152,164	3,975,075
Additions	14,110	28,536	155,125	11,303	209,074
Disposals	-	-	(5,750)	-	(5,750)
Balance as at 31 December 2021	1,163,371	369,417	2,482,144	163,467	4,178,399
Additions	-	17,591	157,747	-	175,338
Disposals	-	-	-	-	-
Balance as at 31 December 2022	**1,163,371**	**387,008**	**2,639,891**	**163,467**	**4,353,737**
Accumulated depreciation					
Balance as at 1 January 2021	1,140,900	340,881	1,929,297	123,170	3,534,248
Charge for the year	12,672	8,418	185,564	1,797	208,451
Disposals	-	-	(1,473)	-	(1,473)
Balance as at 31 December 2021	1,153,572	349,299	2,113,388	124,967	3,741,226
Charge for the year	4,703	9,441	166,764	4,089	184,997
Disposals	-	-	-	-	-
Balance as at 31 December 2022	**1,158,275**	**358,740**	**2,280,152**	**129,056**	**3,926,223**
Net book value					
As at 31 December 2022	**5,096**	**28,268**	**359,739**	**34,411**	**427,514**
As at 31 December 2021	9,799	20,118	368,756	38,500	437,173

The allocation of the depreciation charge for the year ended 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Cost of revenue (Note 20)	**15,567**	36,177
Selling and marketing expenses (Note 21)	**23,122**	26,582
General and administration expenses (Note 22)	**146,308**	145,692
	184,997	208,451

(All amounts in Saudi Riyals unless otherwise stated)

6 Leases

The Group has lease contracts for motor vehicles and office building. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and sub-leasing the leased assets.

Right-of-use assets

	Motor vehicles	Office building	Total
Cost			
As at 1 January 2021	583,490	1,639,459	2,222,949
Additions	543,846	454,585	998,431
As at 31 December 2021	1,127,336	2,094,044	3,221,380
Additions	-	-	-
Disposals	(384,712)	(102,943)	(487,655)
As at 31 December 2022	**742,624**	**1,991,101**	**2,733,725**
Accumulated Depreciation			
As at 1 January 2021	517,330	556,341	1,073,671
Charge for the year	274,917	383,410	658,327
As at 31 December 2021	792,247	939,751	1,731,998
Charge for the year	168,842	387,173	556,015
Disposals	(245,034)	(18,800)	(263,834)
As at 31 December 2022	**716,055**	**1,308,124**	**2,024,179**
Net book value			
At 31 December 2022	**26,569**	**682,977**	**709,546**
At 31 December 2021	335,089	1,154,293	1,489,382

Depreciation allocated to expense is as follows:

	31 December 2022	31 December 2021
Cost of revenue (Note 20)	**1,779**	244,468
Selling and marketing expenses (Note 21)	**35,363**	325
General and administration expenses (Note 22)	**518,873**	413,534
	556,015	658,327

(All amounts in Saudi Riyals unless otherwise stated)

6 Leases (continued)

Lease liabilities

Following is the carrying amounts of lease liabilities and the movements during the year:

	31 December 2022	31 December 2021
Balance at beginning of the year	**1,550,053**	1,192,128
Additions	**-**	998,431
Interest expense	**58,870**	88,062
Payments	**(620,841)**	(728,568)
Lease termination	**(216,417)**	-
Balance at end of the year	**771,665**	1,550,053

Lease liabilities are presented as follows:

	31 December 2022	31 December 2021
Current portion of lease liabilities	**439,358**	522,400
Non-current portion of lease liabilities	**332,307**	1,027,653
	771,665	1,550,053

The maturity analysis of lease liabilities is disclosed in Note 25.

The following are the amounts recognised in the statement of comprehensive income:

	31 December 2022	31 December 2021
Depreciation expense of right-of-use assets	**556,015**	658,327
Interest expense on lease liabilities	**58,870**	88,062
Total amount recognised in the statement of comprehensive income	**614,885**	746,389

7 Trade receivables

	31 December 2022	31 December 2021
Accounts receivables	**127,253,981**	93,990,460
Unbilled receivables*	**31,585,202**	33,926,621
	158,839,183	127,917,081
Less: allowance for expected credit losses	**(3,880,702)**	(2,957,936)
	154,958,481	124,959,145

* Unbilled receivables represents the amount for which services have been rendered but not yet invoiced to customers.

(All amounts in Saudi Riyals unless otherwise stated)

7 Trade receivables (continued)

The aging of accounts receivables including unbilled receivables, representing current and overdue but not impaired receivables, is as follows:

	31 December 2022		**31 December 2021**	
	Receivables	**Default rates**	**Receivables**	**Default rates**
Current	**95,512,557**	**0.86%**	63,610,279	0.39%
Overdue 1-90 days	**45,580,532**	**1.54%**	46,706,832	0.88%
Overdue 91-180 days	**7,913,805**	**7.44%**	6,870,336	5.84%
Overdue 181-270 days	**2,803,479**	**13.05%**	4,668,431	12.26%
Overdue 271-365 days	**2,149,490**	**20.00%**	2,550,875	21.88%
More than one year	**4,879,320**	**20.00%**	3,510,328	21.88%
	158,839,183		127,917,081	

Movement in the allowance for expected credit losses is as follows:

	31 December 2022	**31 December 2021**
Balance at beginning of the year	**2,957,936**	1,003,182
Provided during the year	**1,132,890**	1,954,754
Written-off during the year	**(210,124)**	-
Balance at end of the year	**3,880,702**	2,957,936

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For more information on credit risk management, please refer to Note 25 details of treasury and other financial risks.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the allowance for expected credit losses are provided in Note 4.

8 Related party transactions and balances

Related parties include owner, affiliate companies and the Group key management personnel. The Company does not have significant transactions with the shareholders or affiliates companies during the year. The Company is a public listed entity with major shares held jointly by Mr. Osama M AlSabeg and Mr. AbdulMohsen I. AlTouq who owns 37.25% each, shares of the Company.

Key management personnel compensation comprised the following:

	31 December 2022	**31 December 2021**
Short term benefits	**3,829,980**	3,502,050
Termination benefits	**231,668**	128,370
Board's fee	**909,000**	-
	4,970,648	3,630,420

Compensation to key management personnel includes salaries, allowances, provision for defined benefits liabilities and contribution to General Organization for social Insurance.

(All amounts in Saudi Riyals unless otherwise stated)

9 Prepayments and other assets

	31 December 2022	31 December 2021
Prepaid expenses	**9,579,461**	7,194,264
Other receivables	**245,150**	10,971,738
	9,824,611	18,166,002

10 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash at bank	**8,584,701**	9,926,487
Cash in hand	**105,999**	61,020
	8,690,700	9,987,507

11 Share capital

The Group's capital consists of following:

	31 December 2022	31 December 2021
Authorized shares	**6,000,000**	6,000,000
Ordinary shares of SAR 10 each (from SAR 1,000 per share), fully paid and issued	**6,000,000**	6,000,000
Share capital	**60,000,000**	60,000,000

On 17 August 2022, the Company was listed on Saudi Exchange with the symbol 9543 and ISIN Code SA15JH3KL3H8. The Company has floated 1.5 million shares on the Nomu - Parallel Market, after which the shareholding of Mr. Abdul Mohsen I. Al Touq and Mr Osama M Al Sabeg has been reduced to 37.25% each from 50% each in 2021.

12 Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Group is required to transfer 10% of net profits to a statutory reserve until such reserve equals 30% of the paid-up capital. This reserve is currently not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

13 Defined benefits liabilities

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	31 December 2022	**31 December 2021**
Balance at beginning of the year	**18,658,885**	14,975,579
Recognised in P&L:		
Current service cost	**7,063,129**	6,069,988
Interest cost	**471,805**	310,055
Recognised in OCI:		
Actuarial (gain) / loss on remeasurement of defined benefit plan	**(2,751,608)**	1,416,514
Benefits paid	**(2,369,216)**	(4,113,251)
Balance at end of the year	**21,072,995**	18,658,885

The actuarial (gain) / loss consists of the following:

	31 December 2022	**31 December 2021**
Gain from change in financial assumptions	**(3,953,155)**	(634,322)
Loss from change in experience assumptions	**1,201,547**	2,050,836
	(2,751,608)	1,416,514

Break-up of current service cost and interest cost:

	31 December 2022	**31 December 2021**
Cost of revenue (Note 20)	**6,392,864**	5,474,967
Selling and distribution expenses (Note 21)	**365,549**	251,673
General and administrative expenses (Note 22)	**776,521**	653,403
	7,534,934	6,380,043

Summary of economic assumptions

	31 December 2022	**31 December 2021**
Discount rate	**4.35%**	2.70%
Salary growth rate	**2.00%**	2.00%

(All amounts in Saudi Riyals unless otherwise stated)

13 Defined benefits liabilities (continued)

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the defined benefit obligation is shown below:

	31 December 2022	31 December 2021
Discount rate (1% Decrease)	**1,746,263**	1,345,853
Discount rate (1% Increase)	**(1,612,199)**	(1,254,904)
Salary growth rate (1% Decrease)	**(1,612,438)**	(1,255,118)
Salary growth rate (1% Increase)	**1,745,759**	1,345,411

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied when calculating the obligation.

The weighted average duration of the defined benefit obligation is 8 years (31 December 2021: 7 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	31 December 2022	31 December 2021
Within the next 12 months	**1,385,509**	1,049,343
Between 2 to 5 years	**8,162,121**	9,897,909
Beyond 5 years	**19,987,321**	21,753,829
Total expected payments	**29,534,951**	32,701,081

14 Accounts payable

	31 December 2022	31 December 2021
Accounts payables	**507,361**	829,423
	507,361	829,423

The average credit period taken for trade payables is 45 to 90 days (31 December 2021: 45 to 90 days).

15 Accrued expenses and other liabilities

	31 December 2022	31 December 2021
Accrued expenses	**42,706,880**	35,929,095
VAT payable, net	**6,374,236**	3,835,616
Customer advances	**491,237**	423,632
Accrued bonus	**3,293,142**	2,420,217
	52,865,495	42,608,560

(All amounts in Saudi Riyals unless otherwise stated)

16 Short-term borrowing

Details of short-term borrowing are as follows:

	31 December 2022	31 December 2021
Re-financing facilities	**22,978,975**	40,801,349
	22,978,975	40,801,349

Movement of short-term borrowing is as follows:

	31 December 2022	31 December 2021
Balance at beginning of the year	**40,801,349**	34,399,319
Additions (proceeds) during the year – net	**(17,822,374)**	6,402,030
Balance at end of the year	**22,978,975**	40,801,349

The Group had bank facilities in the form of short terms loans, overdraft and progress payment finance facility from a commercial bank to finance its working capital requirements aggregating to SAR 55.2 million (2021: SR 55.2 million). As at 31 December 2022 the Company has availed short term loan and progress payment finance facility of SAR 16.39 million (2021: SAR 20 million) and SAR 6.58 million (2021: SAR 20.80) million respectively. The short-term loans and progress payment finance facility was subject to an interest rate of SIBOR plus 2.25% margin.

17 Dividend payable

Following is the movement of dividend payable:

	31 December 2022	31 December 2021
Balance at beginning of the year	**-**	887,607
Dividend declared	**10,000,000**	19,099,999
Payments	**(10,000,000)**	(19,987,606)
Balance at end of the year	**-**	-

Following is the dividend per share for the year 31 December 2022 and 31 December 2021:

	31 December 2022	31 December 2021
Dividend declared for the year	**10,000,000**	19,099,999
Number of ordinary shares outstanding	**6,000,000**	6,000,000
Dividend per share	**1.7**	3.2

The shareholders approved and distributed dividend of SAR 10 million (2021: SAR 19.1 million) during the year 2022.

(All amounts in Saudi Riyals unless otherwise stated)

18 Zakat

The significant components of the Group's zakat base for the years ended 31 December comprise of following:

	31 December 2022	31 December 2021
Shareholders' equity	**57,173,095**	40,100,600
Opening provisions and other adjustments	**18,691,395**	49,586,416
Adjusted net profit	**43,682,750**	48,816,561
	119,547,240	138,503,577

The computation of the zakat comprises of the following:

	31 December 2022	31 December 2021
Approximate zakat base	**82,525,091**	52,314,252
Zakat on zakat base (A)	**2,127,236**	1,348,496
Adjusted net profit	**43,682,750**	48,816,561
Zakat on adjusted net profit (B)	**1,092,068**	1,220,414
Zakat charge for the year (A)+(B)	**3,219,304**	2,568,910
Prior years adjustments	**(144,207)**	-
	3,075,097	2,568,910

Zakat is payable at 2.578% of the approximate zakat base, excluding the adjusted net profit for the year, attributable to the Saudi shareholder. Zakat on adjusted net profit for the year attributable to the Saudi shareholder is payable at 2.5%.

The movement in provision for zakat is as follows:

	31 December 2022	31 December 2021
Balance at beginning of the year	**2,545,695**	2,006,260
Provided during the year	**3,075,097**	2,568,910
Payments	**(2,401,488)**	(2,029,475)
Balance at end of the year	**3,219,304**	2,545,695

Status of assessment

The Company has finalized its zakat and income tax status with the Zakat, Tax and Customs Authority (“ZATCA”) up to 31 December 2016 in amnesty scheme of ZATCA and paid SAR 253,466 to clear the assessment till 2016. The zakat and income tax declarations for the years 2017 to 2022 have been filed with ZATCA and are still under their review.

(All amounts in Saudi Riyals unless otherwise stated)

19 Revenue

The Group's revenue is derived from three types of services namely direct, managed-hosting and other services.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary nature of services provided, types of customers and timing of revenue recognition as shown below:

	31 December 2022	31 December 2021
Types of projects / services		
Direct	**152,939,189**	146,461,961
Managed-Hosting	**325,106,409**	315,790,117
Other	**583,802**	540,291
	478,629,400	462,792,369
Types of customers		
Non-government	**439,075,588**	422,335,662
Government	**39,553,812**	40,456,707
	478,629,400	462,792,369
Timing of revenue recognition		
Overtime	**478,629,400**	462,792,369
	478,629,400	462,792,369

Revenues of approximately SAR 177 million (2021: SAR 170.7 million) are derived from three external customers who contribute more than 10% each to the total external revenue. These revenues are attributed to the Kingdom of Saudi Arabia segment.

Trade receivables are non-interest bearing and are generally on terms of 90 days. As of 31 December 2022, SAR 3.8 million (31 December 2021: SAR 2.9 million) was recognised as provision for expected credit losses on trade receivable.

20 Cost of Revenue

	31 December 2022	31 December 2021
Employees' cost	**406,879,792**	391,984,897
Defined benefits liabilities	**6,392,864**	5,474,967
Depreciation and amortisation	**17,346**	280,645
Others	**2,105,745**	10,778,630
	415,395,747	408,519,139

21 Selling and marketing expenses

	31 December 2022	31 December 2021
Employees' cost	**5,843,762**	5,478,510
Bonus	**3,432,000**	2,756,004
Printing and advertising	**55,440**	75,226
Depreciation and amortisation	**58,485**	26,907
Others	**92,710**	224,677
	9,482,397	8,561,324

(All amounts in Saudi Riyals unless otherwise stated)

22 General and administrative expenses

	31 December 2022	31 December 2021
Employees' cost	**12,479,120**	10,715,530
End of service benefits	**776,521**	653,403
Professional services	**958,842**	552,216
Rent	**197,274**	151,452
Depreciation and amortisation	**665,181**	559,226
Utilities	**413,352**	402,000
Board's fee	**909,000**	-
Others	**593,552**	501,409
	16,992,842	13,535,236

23 Earning per share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year as follows:

	31 December 2022	31 December 2021
Net income for the year	**32,332,101**	28,336,965
Number of ordinary shares outstanding	**6,000,000**	6,000,000
Basic and diluted earnings per share from net income for the year	**5.4**	4.7

24 Segment reporting

The principal activities of the Group are implementing contracting contracts of establishing, maintaining, operating, installing and managing of telecommunication networks, computer, electrical & electronic works, providing consulting, technical and administrative services, providing supporting at field of consulting, technical, administrative and consulting services, operating, managing, marketing and providing technical support for sales centers and customer care services.

Segment information as at 31 December 2022 and 31 December 2021, and for the years then ended, categorized by these segments, is as follows:

Kingdom of Saudi Arabia
Provision of services in the geographical region of Kingdom of Saudi Arabia.

Algeria
Provision of services in the geographical region of Algeria.

	Kingdom of Saudi Arabia	Algeria	Total
31 December 2022			
Revenue	478,629,400	3,099,815	**481,729,215**
Depreciation and amortisation	741,012	29,337	**770,349**
Profit attributable to shareholders of the Company	33,451,400	(1,119,299)	**32,332,101**
Total assets	174,610,852	9,900,085	**184,510,937**
Total liabilities	101,415,795	392,354	**101,808,149**

(All amounts in Saudi Riyals unless otherwise stated)

24 Segment reporting (continued)

	Kingdom of Saudi Arabia	Algeria	Total
31 December 2021			
Revenue	462,792,369	10,458,668	473,251,037
Depreciation and amortisation	866,778	56,216	922,994
Profit attributable to shareholders of the Company	26,522,469	1,814,496	28,336,965
Total assets	155,039,209	15,892,471	170,931,680
Total liabilities	106,993,965	6,531,696	113,525,661

The Group's revenue is derived from contracts with customers for provision of services. Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analyzed based on the operations of the segment.

25 Financial instruments

Financial assets consist of trade receivables, other asset and bank balances and cash. Financial liabilities consist of accounts payables, short term borrowings, accrued expenses and other liabilities, dividend payable and lease liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts.

Risk management and financial instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

(a) Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and cash, trade receivables including unbilled receivables is as follows.

	31 December 2022	31 December 2021
Trade receivables, gross	**158,839,183**	127,917,081
Cash and cash equivalents	**8,690,700**	9,987,507
	167,529,883	137,904,588

The carrying amount of financial assets represent the maximum credit exposure.

Credit risk on bank balances is limited as the Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. Cash balances are held with banks with sound credit ratings ranging from BBB+ and above.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-up on an ongoing basis. The Group's exposure to ECL is not significant.

Impairment analysis is performed at each reporting date. Collective assessment is made using provision matrix to measure expected credit losses unless objective evidence is available for the recoverability. The provision rates are based on days past due for groupings of various customer segments at group level with similar loss patterns (i.e., by geographical region, product type, customer type, and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

25 Financial instruments (continued)

At 31 December 2022, 28% of accounts receivable were due from 3 customers (2021: 48% from 3 customers). Management believes that this concentration of credit risk is mitigated through historical collections from such customers.

Other financial assets at amortised cost include, other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. As at 31 December 2022, the ECL allowance on other financial assets carried at amortised cost is immaterial.

(b) 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 the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	As at 31 December 2022				
	Carrying amount	**On demand or less than 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Financial liabilities					
Accounts payables	**507,361**	**507,361**	**-**	**-**	**507,361**
Accrued expenses and other liabilities	**52,865,495**	**52,865,495**	**-**	**-**	**52,865,495**
Short-term borrowings	**22,978,975**	**23,168,048**	**-**	**-**	**23,168,048**
Lease liabilities	**771,665**	**461,501**	**349,055**	**-**	**810, 556**
	77,123,496	**77,002,405**	**349,055**	**-**	**77,351,460**

	As at 31 December 2021				
	Carrying amount	**On demand or less than 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Financial liabilities					
Accounts payables	829,423	829,423	-	-	829,423
Accrued expenses and other liabilities	42,608,560	42,608,560	-	-	42,608,560
Short-term borrowings	40,801,349	41,125,888	-	-	41,125,888
Lease liabilities	1,550,053	595,753	1,080,938	-	1,676,691
	85,789,385	85,159,624	1,080,938	-	86,240,562

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments.

(c) Market risk

Market risk is the risk that fluctuation in value of a financial instrument as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to market risk, in the form of interest rate risk and foreign currency risk as described below. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals, DZD and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Group believes that the currency risk for the financial instruments is not significant.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial instruments (continued)

Categories of financial instruments

The Group's financial instruments were classified into the following measurement categories:

	At amortised cost	
	2022	**2021**
Assets as per consolidated statement of financial position		
Trade receivables	**154,958,481**	124,959,145
Prepayments and other receivables	**9,824,611**	18,166,002
Cash and cash equivalents	**8,690,700**	9,987,507
Total	**173,473,792**	153,112,654

	At amortised cost	
	2022	**2021**
Liabilities as per consolidated statement of financial position		
Short term borrowing	**22,978,975**	40,801,349
Lease liabilities	**771,665**	1,550,053
Trade payables	**507,361**	829,423
Accrued expenses and other liabilities	**52,865,495**	42,608,560
Total	**77,123,496**	85,789,385

26 Capital management risk

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio within 25% to 85%. The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022	**31 December 2021**
Total debt	**22,978,975**	40,801,349
Total equity	**82,702,788**	57,406,019
Gearing ratio	**27.79%**	71.08%

Net debt reconciliation

An analysis of net loans and movement in net loans during the current year is as follows:

	31 December 2022	**31 December 2021**
Cash and cash equivalents	**8,690,700**	9,987,507
Short-term borrowings	**(22,978,975)**	(40,801,349)
Lease liabilities	**(771,665)**	(1,550,053)
Net loans	**(15,059,940)**	(32,363,895)

(All amounts in Saudi Riyals unless otherwise stated)

26 Capital management risk (continued)

		Net loan reconciliation		
	Cash and cash equivalents	**Short-term loans**	**Lease liabilities**	**Total**
Net loans as at 1 January 2022	9,987,507	(40,801,349)	(1,550,053)	**(32,363,895)**
Repayment of lease liabilities	-	-	620,841	**620,841**
Interest on lease liabilities	-	-	(58,870)	**(58,870)**
Termination of leases	-	-	216,417	**216,417**
Proceeds from short-term borrowings	-	(390,918,339)	-	**(390,918,339)**
Repayment of short-term borrowings	-	408,740,713	-	**408,740,713**
Cashflows for the period	(1,296,807)	-	-	**(1,296,807)**
Total cash flows	**8,690,700**	**(22,978,975)**	**(771,665)**	**(15,059,940)**

In order to achieve this overall objective, the Group’s capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022, 31 December 2021.

27 Fair value of financial instruments

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group’s financial assets consist of trade receivables, bank balances and other assets. Its financial liabilities consist of lease liabilities, accounts payable, short-term borrowing and other liability.

The fair values of these financial instruments of the Company are not materially different from their carrying values at the reporting date owing to their short-term duration.

28 Discontinued operations

On 20 December 2021, the Group announced its intention to exit the SNS Algerian business. Accordingly, the subsidiary is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below.

(All amounts in Saudi Riyals unless otherwise stated)

28 Discontinued operations (continued)

The financial performance and cashflow information presented are for the year ended 31 December 2022 and the year ended 31 December 2021.

	Year ended 31 December	
	2022	**2021**
Revenues	**3,099,815**	10,458,668
Cost of revenues	**(2,087,913)**	(6,995,660)
Gross profit	**1,011,902**	3,463,008
General, administrative and marketing expenses	**(2,225,646)**	(2,327,345)
(Loss) / income from operations	**(1,213,744)**	1,135,663
Other income	**104,724**	885,360
Finance cost	**(20,643)**	(31,884)
(Loss) / profit before income tax	**(1,129,663)**	1,989,139
Income tax	**(270)**	(156,987)
(Loss) / profit from discontinued operations	**(1,129,933)**	1,832,152
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss:		
Movement in foreign currency translation reserve	**212,493**	(865,706)
Remeasurement of defined benefit liabilities	**11,201**	(39,243)
Total other comprehensive income / (loss)	**223,694**	(904,949)
Total comprehensive (loss) / income from discontinued operations	**(906,239)**	927,203

The carrying amounts of assets and liabilities as at 31 December 2022 and 31 December 2021 were:

	2022	**2021**
Assets		
Property and equipment	-	736
Right-to-use assets	-	173,398
Trade receivables	**11,615**	3,676,535
Prepayments and other assets	**944,890**	-
Cash and cash equivalents	**8,943,580**	12,041,802
Total Assets	**9,900,085**	15,892,471
Liabilities		
Employee end of service benefits	**182,613**	284,668
Lease liabilities	-	186,311
Accrued expenses	**209,741**	5,975,529
Provision for income tax	-	85,188
Total Liabilities	**392,354**	6,531,696

The cash flow information for the year ended 31 December 2022 and 31 December 2021 were:

(All amounts in Saudi Riyals unless otherwise stated)

28 Discontinued operations (continued)

	2022	2021
Net cash (outflow)/inflow from operating activities	**(3,098,222)**	1,634,743
Net cash inflow/(outflow) from investing activities	**-**	-
Net cash inflow/(outflow) from financing activities	**-**	-
Net (decrease)/increase in cash generated by the subsidiary	**(3,098,222)**	1,634,743

29 Approval of the Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorized for issuance on 22 March 2023.

30 Impact of climate change

In preparing the financial statements, the Company has considered the impact of climate change, particularly in the context of the Kingdom's stated target of net zero carbon emissions by 2060. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year.

31 Subsequent events

The management believes that there are no subsequent events since the end of the year that require disclosure or adjustment in these financial statements.