ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

INDEX	PAGES

RSM

المحاسبون المتحدون للاستشارات المهنية

Allied Accountants Professional Services

Riyadh - Olaya District - Al Oruba Street
1st Floor, Building No. 3193
P.O. Box 8335, Riyadh - 12333
Tel.: +966 11 416 9361
Fax: +966 11 416 9349
Kingdom of Saudi Arabia
www.rsmksa.com
C.R : 4030228773

الريـاض — حي العليا - طريق العروبة
مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هـاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
فاكس: ٩٣٤٩ ٤١٦ ١١ ٩٦٦+
المملكة العربية السعودية
www.rsmksa.com
س.ت ٤٠٣٠٢٢٨٧٧٣

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
ARAB SEA INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)

Opinion:
We have audited the consolidated financial statements of **Arab Sea Information Systems Company** (A Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of **December 31, 2021**, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Emphasis of matter:
We draw to attention to Note 25 to these consolidated financial statements, which describes the adjustments in prior years due to errors. Consequently, the retained earnings as at January 1, 2020, the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income for the year ended December 31, 2020, were restated to reflect the correction of these errors. Our opinion has not been modified with respect to this matter.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of
ARAB SEA INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)

Key audit matters (Continued):

Impairment Assessment of Intangible Assets	
Key Audit Matters	**How the matter was addressed in our audit**
As of December 31, 2021, the carrying value of the intangible assets amounted to SR 133.8 million (2020: SR 129.2 million). The Group carried out an annual impairment assessment to assess the recoverable values of intangible assets. For the purposes of evaluation of the recoverable amount, the value in use model has been used to determine the recoverable amount, under which the future cash flows relating to each of the Cash Generating Units (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, growth rates and discount rates. During the annual impairment assessment, a surplus intangible assets valuation as of December 31, 2021, has been recorded in the consolidated statement of comprehensive income. We considered intangible assets impairment to be a key audit matter due to the extent of judgement and assumptions involved in the impairment assessment process.	We have performed the below audit procedures in relation to the impairment in value of intangible assets: - Assessed the design and implementation and effectiveness of the internal controls associated with the Group's procedures for the impairment in value of intangible assets, in addition to evaluating the key assumptions used; - Reviewed and evaluated the impairment testing of intangible assets prepared by an independent expert; - Used our experts to test the key assumptions used in the computation of value in use. Also, we have assessed the reasonableness of key assumptions in relation to the future estimated cash flows. - Tested completeness of the information provided by the management which was used as a basis to assess the impairment in value of intangible assets; - Reperformed through sensitivity analysis on the key assumptions to ascertain the extent of change in those assumptions that would be required for the intangible assets to be impaired. - Assess the adequacy of the disclosures made by the management in relation to the intangible assets with taking into consideration the related accounting standards requirements.
Refer to note 4 of the consolidated financial statements regarding the significant accounting policy related to impairment of intangible assets and note 6 related to the impairment disclosure.	

Other Matter:
The financial statements for the year ended December 31, 2020 were audited by another auditor, who expressed an unmodified opinion on those financial statement dated Sha'ban 16, 1442 H (corresponding to March 29, 2021).

Other information:
Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the 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 materiality 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of
ARAB SEA INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements:
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance; i.e. the Board of Directors, are 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 (ISA's) that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA's) that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of
ARAB SEA INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)

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

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

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

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

Allied Accountants Professional Services Company

المحاسبون المتحدون للاستشارات المهنية
س.ت: ٤٠٣٠٢٢٨٧٧٣
C.R. 4030228773
Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
6 Sha'ban 1443 H (Corresponding to March 9, 2022)

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(SAUDI RIYAL)

	Notes	December 31, 2021	December 31, 2020 (Restated note 25)	January 1, 2020 (Restated note 25)
ASSETS				
Non-current assets				
Property and equipment	5	**681,615**	390,138	373,176
Intangible assets	6	**133,861,441**	129,298,818	145,656,437
Total non-current assets		**134,543,056**	129,688,956	146,029,613
Current assets				
Inventory	7	**1,958,915**	1,851,645	2,023,036
Trade receivables	8	**8,535,754**	7,895,004	7,915,928
Prepaid expenses and other current assets	9	**980,560**	1,746,777	503,199
Cash and cash equivalents	11	**19,515,770**	3,085,104	1,556,438
Total current assets		**30,990,999**	14,578,530	11,998,601
TOTAL ASSETS		**165,534,055**	144,267,486	158,028,214
EQUITY & LIABILITIES				
Equity				
Share capital	12	**100,000,000**	100,000,000	100,000,000
Statutory reserve	13	**16,501,562**	14,346,610	14,346,610
Retained earnings		**30,714,277**	11,637,049	27,341,682
Total equity		**147,215,839**	125,983,659	141,688,292
LIABILITIES				
Non-current liabilities				
Employees' defined benefits obligations	14	**4,591,534**	3,667,671	3,274,000
Total non-current liabilities		**4,591,534**	3,667,671	3,274,000
Current liabilities				
Unearned revenues	15	**2,703,500**	3,075,913	2,587,388
Trade payables		**2,734,275**	1,963,872	2,175,328
Due to related party	10	-	448,561	590,000
Accrued expenses and other current liabilities	16	**7,264,930**	5,183,792	5,945,202
Zakat provision	17	**1,023,977**	3,944,018	1,768,004
Total current liabilities		**13,726,682**	14,616,156	13,065,922
Total liabilities		**18,318,216**	18,283,827	16,339,922
TOTAL EQUITY & LIABILITIES		**165,534,055**	144,267,486	158,028,214

Finance Manager

Chief Executive Officer

Board of Directors Member

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	Notes	December 31, 2021	December 31, 2020 (Restated note 25)
Revenues	18	**57,450,145**	24,122,503
Cost of revenues	19	**(19,945,402)**	(18,815,387)
Gross profit		**37,504,743**	5,307,116
Selling and marketing expenses	20	**(11,474,269)**	(6,837,738)
General and administrative expenses	21	**(9,289,894)**	(6,774,103)
Expected credit losses on trade receivables	8	**(6,069,720)**	-
Operating profit / (loss)		**10,670,860**	(8,304,725)
Reversal / (loss) of impairment in intangible assets	6	**11,670,000**	(5,000,000)
Other revenues		**111,025**	39,000
Finance cost	22	**(121,000)**	(101,000)
Profit / (loss) before Zakat		**22,330,885**	(13,366,725)
Zakat	17	**(781,361)**	(2,466,143)
Profit / (loss) for the year		**21,549,524**	(15,832,868)
Other comprehensive income:			
Items that will not reclassified to profit or loss:			
Actuarial remeasurement of employees' defined benefits obligations	14	**(317,344)**	128,235
(Other comprehensive loss) / comprehensive income for the year		**(317,344)**	128,235
Total comprehensive income / (comprehensive loss) for the year		**21,232,180**	(15,704,633)
Basic and diluted EPS from profit / (loss) for the year	24	**2.15**	(1.58)

Finance Manager | Chief Executive Officer | Board of Directors Member

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

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	Notes	Share capital	Statutory reserve	Retained earnings	Total
For the year ended December 31, 2020					
Balance as of January 1, 2020		100,000,000	15,385,505	36,691,733	152,077,238
Prior years adjustments	25	-	(1,038,895)	(9,350,051)	(10,388,946)
Balance as of January 1, 2020 (Restated)	25	100,000,000	14,346,610	27,341,682	141,688,292
Loss for the year (Restated)	25	-	-	(15,832,868)	(15,832,868)
Other comprehensive income for the year		-	-	128,235	128,235
Total comprehensive loss for the year (Restated)	25	-	-	(15,704,633)	(15,704,633)
Balance as at December 31, 2020 (Restated)	25	100,000,000	14,346,610	11,637,049	125,983,659
For the year ended December 31, 2021					
Balance as of January 1, 2021		100,000,000	14,346,610	11,637,049	125,983,659
Profit for the year		-	-	**21,549,524**	**21,549,524**
Other comprehensive loss for the year		-	-	**(317,344)**	**(317,344)**
Total comprehensive income for the year		-	-	**21,232,180**	**21,232,180**
Transfer to statutory reserve	13	-	**2,154,952**	**(2,154,952)**	-
Balance as of December 31, 2021		**100,000,000**	**16,501,562**	**30,714,277**	**147,215,839**

Finance Manager

Chief Executive Officer

Board of Directors Member

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

ARAB SEA INFORMATION SYSTEMS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	December 31, 2021	December 31, 2020 (Restated note 25)
OPERATING ACTIVITIES:		
Profit / (loss) before zakat	22,330,885	(13,366,725)
Adjustments for non-cash items:		
Depreciation of property and equipment	64,469	137,288
Amortization of intangible assets	12,013,063	11,417,619
Expected credit losses on trade receivables	6,069,720	-
Gain from disposal of property and equipment	(39,575)	-
Current service cost for employees' defined benefits obligations	519,863	492,000
Finance costs related to employees' defined benefits obligations	121,000	101,000
(Reversal) / loss of impairment in intangible assets	(11,670,000)	5,000,000
Changes in working capital:		
Inventory	(107,270)	171,391
Trade receivables	(6,710,470)	20,924
Prepaid expenses and other current assets	766,217	(1,243,578)
Unearned revenues	(372,413)	488,525
Trade payables	770,403	(211,456)
Accrued expenses and other current liabilities	2,081,138	(761,410)
Due to related party	(448,561)	(141,439)
Cash flows from operating activities	25,388,469	2,104,139
Employees' defined benefits obligation paid	(34,344)	(71,094)
Zakat paid	(3,701,402)	(290,129)
Net cash flows from operating activities	21,652,723	1,742,916
INVESTING ACTIVITIES:		
Purchase of property and equipment	(355,946)	(154,250)
Proceeds from disposal of property and equipment	39,575	-
Additions of intangible assets	(4,905,686)	(60,000)
Net cash flows used in investing activities	(5,222,057)	(214,250)
Net change in cash and cash equivalents during the year	16,430,666	1,528,666
Cash and cash equivalents at the beginning of the year	3,085,104	1,556,438
Cash and cash equivalents at the end of the year	19,515,770	3,085,104

Finance Manager   Chief Executive Officer   Board of Directors Member

1- CORPORATE INFORMATION OF THE GROUP

Arab Sea Information Systems Company - is a Saudi Joint Stock Company ("the Company"), registered in accordance with companies' law and regulations in the Kingdom of Saudi Arabia under Ministerial Resolution number. (128/M) dated 14/4/1429 H (corresponding to 21/4/2009) by announcing the transformation of Arab Sea Information Systems Company from a Limited Liability Company to a Saudi Closed Joint Stock Company, moreover the Company was registered under commercial registration number 1010169116 issued in Riyadh City on 27 Jumada Al-Akhira 1422 H (corresponding to September 15, 2001).

On March 17, 2020, the Company has submitted a request to move to the main market through the automated system set by the Capital Market Authority then moved to the main market on April 12, 2020 after the authority approved the transfer request. the company's moved to the main market and shares were listed on April 12, 2020.

The head office of the company is located in Riyadh - Kingdom of Saudi Arabia, PO Box: 40268, Postal Code: 11499.

The company's activity is as follows:
- Installation and extension of computer and communication networks.
- Operating systems.
- Retail sale of computers and its accessories, including (printers and their inks).

The accompanying consolidated financial statements includes the net results, assets, liabilities and activities of the company and its branches, and the details of these branches are as follows:

Branch name	**City**	**Commercial Registration number**
Network Solutions Branch of Arab Sea Information Systems Company	Riyadh	1010251079
Arab Sea Training Center	Riyadh	1010664109
Arab Sea Information Systems Company	Buraydah	1131291891
Arab Sea Information Systems Company	Khobar	2051221240
Arab Sea Information Systems Company	Tabuk	3550123009
Arab Sea Information Systems Company	Jeddah	4030287742
Arab Sea Information Systems Company	Khamis Mushait	5855339644

The accompanying consolidated financial statements as of December 31, 2021 include the accounts of the Company and its subsidiary (Collectively referred as the "Group"). The details of the subsidiary company are as follows:

Subsidiary name	**Country of incorporation**	**Ownership percentage**	
		2021	2020
Arab Sea Financial Company (*)	Kingdom of Saudi Arabia	100%	-

(*) Arab Sea Financial Company – Sole proprietorship closed joint stock company was established in accordance with the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration number 1010725510 issued in Riyadh city dated on 20 Dhu al-Qa'dah 1442 H (corresponding to June 30, 2021) with a capital of 5 million Saudi riyals, where The company's main activity is in technology in financial services, during the year ended December 31, 2021, the subsidiary company did not practice any commercial activity mentioned in its commercial register (Note 9). There is no non-controlling interests for the year 2021.

2- BASIS OF PREPARATION FOR CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organization of Chartered and Professional Accountants ("SOCPA") (Referred to as the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia).

2- BASIS OF PREPARATION FOR CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2-2 Basis of preparation

These consolidated financial statements have been prepared on historical cost basis and using accrual basis as per mentioned in accounting policies except for Accruals for employees' defined benefits obligations that are measured at the present value of the future obligations using the projected unit credit method.

2-3 Functional and presentation currency

All values are presented in Saudi Riyals, which is the main functional and presentation currency of the group and rounded to the nearest Saudi Riyal, unless otherwise indicated.

2-4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Group, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stakeholders' meetings.

The process of consolidation financial statements of a subsidiary begins when the group gains control over the subsidiary and stops when the group loses control of the subsidiary. In particular, the revenues and expenses of a subsidiary acquired, disposed of or sold during the year are included in the consolidated statement of comprehensive income from the date the Group obtains control until the date that the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is recorded in the statement of changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group accounting policies.

All intergroup assets and liabilities, equity, revenues, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2-5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

2- BASIS OF PREPARATION FOR CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2-5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued):
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2-5-1 Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i) Impairment reviews of non-financial assets
Assets with indefinite useful lives are tested for impairment at least annually, while assets with finite useful lives, are tested for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring amongst other matters an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management’s expectations of:

a) growth in earnings before commission, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;
b) timing and quantum of future capital expenditure;
c) long-term growth rates; and
d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group’s impairment evaluation and hence results.

ii) Estimation of useful lives and residual values
The useful lives used to amortise or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management’s judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. An asset’s expected life and expected residual value has a direct effect on the depreciation charged in consolidated statement of comprehensive income.

The useful lives and residual values of the Group’s assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness.

The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their lives such as changes in technology.

iii) Zakat provision
The Group’s current zakat provision relates to management’s assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with ZATCA. Due to the uncertainty associated with zakat, there is a possibility that, on conclusion of open zakat assessments at a future date, the final outcome may differ significantly.

2- BASIS OF PREPARATION FOR CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2-5 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued):

2-5-1 Key sources of estimation uncertainty (Continued):

iv) Calculation of expected credit loss allowance on trade receivables

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

v) Discount rate used to determine the carrying amount of the employees' defined benefit obligations

The determination of the employees' defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's consolidated financial statements within the next year. Further information on the carrying amounts of the employees' defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 14.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS:

3.1 The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

3.1.1. Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

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

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

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED):

3.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

3-2-1 Amendments to IAS 1 "Presentation of Financial Statements", on the classification of liabilities

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

3-2-2 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a group from deducting from the cost of property and equipment amounts received from selling items produced while the group is preparing the asset for its intended use. Instead, a group will recognise such sales proceeds and related cost in consolidated statement of comprehensive income.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a group includes when assessing whether a contract will be loss-making.

3-2-3 Amendments to IAS 1, Practice statement 2 and IAS 8

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

3-2-4 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by group in preparing these consolidated financial statements:

Current / Non-current assets and liabilities Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

- An asset is classified as current when it is:
  - expected to be realised or intended to sold or consumed in the normal operating cycle;
  - held primarily for the purpose of trading;
  - expected to be realised within twelve months after the reporting period; or
  - cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period of the consolidated statement of financial position.
- All other assets are classified as non-current.
- A liability is current when:
  - it is expected to be settled in the normal operating cycle;
  - it is held primarily for the purpose of trading;
  - it is due to be settled within twelve months after the reporting period; or
  - that there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period of the consolidated statement of financial position.

The Group classifies all other liabilities as a non-current.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Group measures financial instruments, such as financial derivatives, at fair value at each consolidated statement of financial position date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to

the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

Foreign currencies

Foreign currencies – Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date that the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate ruling at the date of the consolidated financial statements. All differences arising from settlement or transactions on monetary items are recorded on consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated primarily at the exchange rate ruling at the dates of the transactions. Non-monetary items in a foreign currency that are measured at fair value are translated at the currency rate ruling at the date when their fair value was determined. Gains or losses arising from the translation of non-monetary items measured at fair value are treated in line with the recognition of gains and losses arising from a change in the fair value of that item. (That is, translation differences for items whose fair value gains and losses are recognized in the statement of other comprehensive income is recognized in other comprehensive income, and items whose fair value gains and losses are recognized in profit and losses are recognized in comprehensive income).

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Projects under construction and lands not depreciated (if any). Property and equipment Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)
Such cost includes the cost of replacing parts of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the Property and equipment in years as follows:

Asset category	Depreciation In Years
Vehicles	4
Office equipment and Computers	10
Furniture and fixtures	10
Tools and equipment	5
Leasehold improvements	10 or lease period whichever is lower

An item of property, and equipment is derecognized upon disposal 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 recognized in consolidated statement of comprehensive income when the asset is derecognized.

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjustments are made on a prospective basis, if required.

Intangible assets
Intangible assets acquired separately are measured at initial recognition at cost. After initial recognition, intangible assets are stated at cost less any accumulated amortization and accumulated impairment losses, if any.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When certain conditions are demonstrated, development expenditure that gives rise to an internally generated intangible asset is capitalized. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period it is incurred.

Intangible assets are amortized over their useful economic life when the intangible assets have a limited useful life and impairment is assessed when there is an indication that their value may be impaired.

The amortization period and the amortization method for intangible assets are reviewed if there is an indication of a change since the preparation of the last annual report, and are subsequently modified, if necessary. Intangible assets are amortized in the consolidated statement of comprehensive income in the expense category in line with the function of those intangible assets.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives as follows:

Asset category	Amortization In Years
Programs and applications	5 - 20

When the useful life of intangible assets is indefinite, intangible assets are not amortized, but the decline in value is tested annually or when there is an indication that their value has decreased.

The gain or loss resulting from derecognition of intangible assets is measured on the basis of the difference between the net disposal proceeds and the book value of the intangible assets, and is recognized in the consolidated statement of comprehensive income when those intangible assets are derecognised.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Non- Financial Assets
The Group assesses at the date of preparing the consolidated financial statements whether there is an indication that the value of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the fair value of the asset or cash-generating unit (CGU) less cost to sell or the value in use of the asset, which is higher.

It is specified for a single asset unless the asset generates cash flows that are not significant independent of the flows generated by other assets or companies of assets and the carrying amount of an asset or cash-generating unit exceeds (CGU) its recoverable amount, the value of the asset must be decreased to its recoverable amount. In determining value in use, the future cash flows deducted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks related to the asset.

In determining fair value less costs to sell, new market transactions are consider, when available, or an appropriate valuation model is used. These values are verified by comparing them with the valuation multiples and the prices of the listed shares of the subsidiaries offered for public trading or through any other fair value indicators.

In calculating impairment, the Group relies on detailed budgets and discretionary accounts that are prepared separately for each cash-generating unit (CGU) of the Group to which the individual assets are allocated. These detailed budgets and discretionary accounts usually cover five years. To cover longer periods, a long-term growth rate is calculated and applied to the project's future cash flows after the fifth year.

Impairment losses from continuing operations are recognized in the consolidated statement of comprehensive income within the expenses appropriate to the function of the assets that have impaired

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses for non-financial assets, other than goodwill, no longer exist or have decreased. The reversal of the impairment loss is recognized in the consolidated statement of comprehensive income.

Inventory
Inventories are measured at cost or net realizable value, whichever is lower.

Cost is determined using the weighted average method. The cost of inventories includes all purchase costs, financing costs and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of business and the estimated costs necessary to make the sale.

The write-off process is carried out based on current market conditions, past experience and the sale of goods of a similar nature. It can change significantly as a result of changes in market conditions. Inventory is reviewed periodically for excess and accumulated inventory and a decrease in the net realizable value, and a provision is recorded against the inventory balances for any decrease.

Trade receivables
Trade receivables represent the Group's right to the unconditional consideration amount (ie, the maturity of the consideration depends on the passage of time). See the accounting policy for financial assets.

Prepaid expenses and other current assets
Prepaid expenses and other current assets are recognized with the amounts paid to the service providers against services that will be received in the future, or amounts paid to external parties and will be refunded in the future.

Transactions with related parties
Transactions with related parties represent transfer of resources, services, or obligations between related parties. Terms and conditions relating to related party transactions are approved by management.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position consist of current accounts at banks and in cash on hand.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' defined benefits obligations
The employees benefit obligations were measured using the projected unit credit method.

Remeasurement, which consists of actuarial gains and losses, is recognized immediately in the consolidated statement of financial position and in retained earnings through other comprehensive income in the period in which it occurs. Remeasurement is not reclassified to the consolidated statement of comprehensive income in subsequent periods.

End of service payments are based primarily on employees' final salaries, allowances and cumulative years of service, as described in the Saudi Arabia Labor Law.

Trade payables
These amounts represent liabilities related to goods and services provided to the Group before the end of the financial year that have not been paid, and are considered unsecured. Trade payables are presented as current liabilities unless payment is not due within 12 months after the consolidated statement of financial position date, and are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method.

Accrued expenses and other current liabilities
Accrued expenses and other current liabilities are obligations to pay for goods or services that have been received or provided, whether submitting bills or formally agreed upon with the supplier or not.

Leases
The determination of whether an agreement constitutes or contains a lease depends on the substance of the agreement at its inception date. The agreement represents or includes a lease if its fulfillment depends on the use of a specific asset or assets, or that the agreement grants the right to use a specific asset or assets even if this right is not expressly stated in the contract.

Group as a lessee
The lease is recognized as a right-of-use asset with its corresponding obligations on the date that the leased asset is ready for use by the Group. Each lease payment is allocated between the obligation and the financing cost.

The finance cost is recognized in the consolidated statement of comprehensive income over the lease term. Right-of-use assets are depreciated over the useful life of the asset and the lease term, whichever is shorter, and on a straight-line basis.

Right-of-use assets are initially measured at cost and consist of the following:

- The initial measurement amount of the lease obligation,
- Any lease payments made on or before the lease commencement date minus any lease incentives received,
- Any initial direct costs, and
- Recovery costs, when applicable.

Finance lease contracts
On the inception date of the lease, the Group records the lease obligations measured at the present value of the lease payments made over the term of the lease. Lease payments include fixed payments (including substantially fixed payments) less any lease incentives receivable and variable rent payments based on an index or rate, and amounts expected to be paid under residual value guarantees.

The lease payments include the price to exercise the purchase option when there is reasonable certainty that the Group will exercise it and payments for penalties for canceling the lease if the terms of the lease provide for the Group to exercise the option to cancel. For variable lease payments that are not dependent on an index or rate, they are recorded as an expense in the period in which the payment is made.

Lease payments are discounted using the interest rate included in the lease or the Group's increased borrowing rate.

Short-term leases and impaired lease contracts
Short-term leases are contracts with a lease term of 12 months or less. Impaired assets are items that do not meet the Group's capitalization limits and are not material to the Group's consolidated statement of financial position as a whole. Payments for short-term lease contracts and lease contracts with low value assets are recognized on a straight-line basis in the consolidated statement of comprehensive income.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned revenues
Unearned revenues mainly relates to consideration paid in advance and received from customers, in respect of which support and maintenance services revenue is recognized when its performance obligations are met.

Financial assets
Initial recognition and measurement
Financial assets are classified on initial recognition as being subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

All financial assets are recognized on initial recognition at fair value plus transaction costs, unless the financial assets are recorded at fair value through profit or loss.

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

Financial Assets at Amortized Cost
After initial measurement, those financial assets are measured at amortized value using the effective interest rate method and are subject to impairment. Gains or losses are recognized in the consolidated statement of comprehensive income when the asset is disposed of, or modifications are made, or impairment on value.

Financial assets at amortized cost in the Group consist of cash and cash equivalents and trade receivables.

Derecognition of financial asset
Financial asset is derecognised only when:

- Contractual rights in the cash flows of a financial asset expire; or
- The Group has transferred its rights to receive cash flows from the asset or has committed to pay the cash flows in full without delay to a third party through a “transfer” agreement, and whether (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained a substantially all the risks and rewards of the asset, but it has transferred its right to control it.

If the Group has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses to what extent it retains the risks and rewards associated with the asset.

An asset is recognized to the extent that the Group's relationship with it continues if it has neither transferred nor retained all the risks and benefits associated with the asset nor transferred its right to control it.

In that case, the Group also recognize the liabilities related to that assets. The transferred asset related liabilities are measured on a basis that reflects the rights and obligations that the Group has recognized.

Continuing relationship 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 that the Group can be required to repay.

Impairment in the value of financial assets
The Group recognizes an allowance for expected credit losses for all debt instruments not carried at fair value through the consolidated statement of comprehensive income.

The provision for expected credit losses is recognized in two stages. For a credit exposure that has not experienced a significant increase in credit risk since initial recognition, ECLs are recognized for the credit risk arising from a potential default within 12 months (12-month expected credit losses). For a credit exposure that has experienced a significant increase in credit risk since the initial recognition, an allowance for expected credit losses must be recognized over the remaining life of the exposure, regardless of the timing of default (lifetime expected credit losses).

For trade debtors, the Group applies a simplified approach to the calculation of expected credit losses. Therefore, the Group has used a provision matrix that is based on its historical experience of credit losses, which has been adjusted for future factors specific to the debtors and the economic environment.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified on initial recognition, as financial liabilities at fair value through profit or loss, or loans and payables, or as financial derivatives that are used as hedging instruments for covering risks.

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

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and advances
After initial recognition, loans and advances are measured at amortized cost using the effective interest rate method. The gain or loss is recognized in the consolidated statement of comprehensive income when the obligations are derecognised, as well as through the process of amortizing the effective interest rate.

Derecognition of financial liabilities
Financial obligations are derecognised when the obligation is paid, canceled or the obligation under the contract expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated financial statements, when the Group has a legally enforceable right to offset the recognized amounts and the Group intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

Provisions

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

Zakat provision
Zakat provision is calculated in accordance with the regulations of the Zakat, tax and customs authority (ZATCA). The zakat provision is recorded at the end of the financial year within the items of consolidated statement of comprehensive income, and the differences resulting from the final assessment are recognized within the same item in the year in which the zakat assessment is approved.

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition
Primarily, revenue is generated from providing services for the sale of computer licenses and software to clients. The company records its revenues according to the following sequence:
- Determine the contract with the client.
- Determining performance obligations in the contract.
- Determine the contract price.
- Allocating the contract price to the performance obligations.
- Recording revenue when fulfilling performance obligations.

Revenue is recognized when the performance obligations are fulfilled and that is when selling to the customer. Performance obligation is the promise to sell to the customer. Upon fulfillment of performance obligations, revenue is recorded at the fair value of the service provided and excludes from the selling price any amounts collected on behalf of any third parties and any discounts on the price.

If the sales invoice to the customer includes certain different services, the invoice price is distributed proportionally, and the sale revenue is realized upon fulfilling the performance obligations and providing the service to the customer. The company provides its services to clients directly and is not considered an agent for any other parties.

Revenue from the sale of licenses and computer software
Revenues from computer software licenses are recognized when control of computer software licenses is transferred to the customer. Accordingly, revenue from selling computer software licenses is recognized at point of time.

Revenue from sale of maintenance and support services
The group provides various software installation services and other support and maintenance services for specialized business operations. Revenues from supporting computer software licenses are recognized on a point over time.

Other revenues
Other income is recognized when earned.

Cost of revenues and expenses
Costs that are directly attributable to the goods or services provided are classified as cost of revenues. Selling and marketing expenses principally comprise of costs incurred in the selling and marketing of the Group's products and services. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect expenses that are not directly related to cost of revenues in accordance with generally accepted accounting standards. Expenses are allocated, if necessary, between general and administrative expenses and cost of revenues on a consistent basis.

Contingent liabilities
Contingent liabilities are disclosed when the Group has a contingent liability as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Subsequent events
Consolidated financial statements are affected by subsequent events that require an amendment to the consolidated financial statements while it is disclosed subsequent events that do not require an amendment of the consolidated financial statements.

5- PROPERTY AND EQUIPMENT

(Saudi Riyal)

	Vehicles	Office equipment and Computers	Furniture and fixtures	Tools and equipment's	Leasehold improvements	Total
Cost:						
As at 1 January 2020	2,142,361	1,654,222	1,340,147	84,610	457,188	5,678,528
Additions	-	120,162	34,088	-	-	154,250
As at 31 December 2020	2,142,361	1,774,384	1,374,235	84,610	457,188	5,832,778
Additions	**-**	**279,376**	**76,570**	**-**	**-**	**355,946**
Disposal	**(132,892)**	**-**	**-**	**-**	**-**	**(132,892)**
As at 31 December 2021	**2,009,469**	**2,053,760**	**1,450,805**	**84,610**	**457,188**	**6,055,832**
Accumulated depreciation:						
As at 1 January 2020	2,079,981	1,472,716	1,256,983	84,609	411,063	5,305,352
Charged during the year (Note 21)	62,380	25,429	11,669	-	37,810	137,288
As at 31 December 2020	**2,142,361**	**1,498,145**	**1,268,652**	**84,609**	**448,873**	**5,442,640**
Charged during the year (Note 21)	**-**	**40,430**	**15,724**	**-**	**8,315**	**64,469**
Disposal	**(132,892)**	**-**	**-**	**-**	**-**	**(132,892)**
As at 31 December 2021	**2,009,469**	**1,538,575**	**1,284,376**	**84,609**	**457,188**	**5,374,217**
Net book value:						
As at 31 December 2021	**-**	**515,185**	**166,429**	**1**	**-**	**681,615**
As at 31 December 2020	-	276,239	105,583	1	8,315	390,138
As at 1 January 2020	62,380	181,506	83,164	1	46,125	373,176

6- INTANGIBLE ASSETS

Intangible assets represent the cost of developing and creating the SMACC program in addition to a number of accounting applications and programs, the following is a summary of the movement of intangible assets for the years ended in:

	(Saudi Riyal)		
	Programs and applications		
	31 December 2021	31 December 2020	1 January 2020
Cost:			
Balance at the beginning of the year	**240,742,655**	240,682,655	228,090,005
Additions during the year	**4,905,686**	60,000	12,592,650
Balance as at the end of the year	**245,648,341**	240,742,655	240,682,655
(Deduct) Accumulated Amortization:			
Balance at the beginning of the year	**99,773,837**	88,356,218	77,080,270
Amortization during the year (Note 19)	**12,013,063**	11,417,619	11,275,948
Balance as at the end of the year	**111,786,900**	99,773,837	88,356,218
(Deduct) Accumulated Impairment losses:			
Balance at the beginning of the year	**11,670,000**	6,670,000	25,000,000
Reversal of impairment for the year (6.1)	**(11,670,000)**	-	(18,330,000)
Impairment loss for the year (6.2)	**-**	5,000,000	-
Balance as at the end of the year	**-**	11,670,000	6,670,000
Net book value:			
Balance as at the end of the year	**133,861,441**	129,298,818	145,656,437

6.1 The group conducted a study to assess the impairment in the value of intangible assets as on December 31, 2021, and assigned Ahmed Muhammad Abdullah Al-Farraj office for business valuation (approved evaluator with license number 4112000053 in the Saudi Authority for accredited valuers). The evaluation was based on assumptions related to future sales volume and prices, annual growth rates, final growth rates, discount rates and other related factors. The results of these assumptions depended largely on the success of future operations according to management's estimates and the realization of its future plans based on the result of the impairment assessment. This assessment resulted in an estimation of intangible assets at the date of the consolidated financial statements in the range of SR 129.3 million to SR 147.6 million (mid-point SR 138.4 million) as at the valuation date based on the present value method of future cash flows. Management has considered the mid-point of SR 138.4 million as a expected recoverable value and as the book value of intangible assets was less than their recoverable value by 18 million Saudi riyals in the value of intangible assets, and accordingly, the group's board of directors decided to reverse the accumulated decrease in the value of the intangibles assets amounting to 11.6 million Saudi riyals, which is closer to the average estimate of the evaluator.

6.2 On December 31, 2020, the Group conducted a study to assess the impairment of intangible assets and used in that study the office of Ahmed Muhammad Abdullah Al-Faraj to evaluate the economic entities (accredited evaluator license No. 4112000053 in the Saudi Authority). Future sales, prices, annual growth rates, terminal growth rates, discount rates, and other related factors. The results of these assumptions are significantly dependent on the success of future operations. According to management's estimates and the realization of its plans in the future based on the result of the evaluation of the impairment, this evaluation resulted in an estimate of intangible assets at the date of the financial statements at SR 127.5 million, depending on the current value method of future cash flows, with a decrease of SR 7.4 million in the value of intangible assets The company decided to reduce the value of intangible assets by an amount of SR 5 million, as it is closer to the average estimate of the approved evaluator of the impairment, which was estimated within the study (from zero to SR14.8 million).

6.3 Sensitivity to changes in assumptions

In respect of the revision of the value-in-use of the intangible assets, any reversal of the underlying assumptions would result in an impairment loss. The final growth rates and discount rates used are the underlying assumptions in cases where potential changes could result in an impairment in value.

6- INTANGIBLE ASSETS (CONTINUED)

6.3 Sensitivity to changes in assumptions (Continued)

The following are the underlying assumptions used to calculate the present value:

	%		
	December 31, 2021	December 31, 2020	January 1, 2020
Discount rate	**12.5% to 13.5%**	11.50% to 12.5%	14% to 15%
Estimated gross margin	**66%**	22%	18%
Zakat Rate	**2.5%**	2.5%	2.5%
Average annual growth rate of sales	**5%**	4%	3%
Terminal Growth Rate	**4%**	2%	-2%

7- INVENTORY

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Computer hardware and accessories	**1,958,915**	1,851,645	2,023,036
Total	**1,958,915**	1,851,645	2,023,036

8- TRADE RECEIVABLES

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables	**23,126,866**	16,416,396	16,437,320
(Deduct): Expected credit losses provision	**(14,591,112)**	(8,521,392)	(8,521,392)
Net	**8,535,754**	7,895,004	7,915,928

The movement in the expected credit losses provision for the years was as follows:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Balance at the beginning of the year	**8,521,392**	8,521,392	8,521,392
Charged during the year	**6,069,720**	-	-
Balance as at the end of the year	**14,591,112**	8,521,392	8,521,392

The following is an analysis of the aging of past due and not impaired receivables:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Less than 30 days	**550,503**	198,782	2,351,988
From 31-60 days	**309,468**	71,664	132,275
From 61-90 days	**222,584**	40,096	136,983
From 91-120 days	**246,301**	108,326	42,834
From 121-150 days	**182,288**	36,450	26,392
From 151-180 days	**139,538**	19,859	15,081
From 181-210 days	**3,053,232**	135,971	978,434
From 211-240 days	**3,174,988**	55,963	9,140
From 241-270 days	**1,570**	1,179	41,561
From 271-300 days	**6,244**	20,996	33,059
From 301-330 days	**2,337**	19,719	21,370
More than 331	**646,701**	7,185,999	4,126,811
Net trade receivables	**8,535,754**	7,895,004	7,915,928

9- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Staff receivables	**524,845**	446,095	474,302
Prepaid expenses	**287,264**	37,351	23,575
Advances to suppliers	**154,395**	5,322	5,322
Deposit to establish a subsidiary (*)	**-**	1,250,000	-
Others	**14,056**	8,009	-
Total	**980,560**	1,746,777	503,199

(*) On September 17, 2020, the Board of Directors approved the start establish a Company under name of Arab Sea Financial Company – A Sole Proprietorship closed joint stock company based in Riyadh. And on December 9, 2020, an amount of 1,250,000 Saudi riyals was deposited into a bank account in the name of the Arab Sea Financial Company - A Sole Proprietorship closed joint stock company, representing a quarter of the capital specified for the establishment of the company, where the company's capital amounted to 5,000,000 Saudi riyals, on Dhul-Qa'dah 20 1442 H (corresponding to June 30, 2021). The subsidiary company was registered in the commercial register and during the year the full value of the capital in the amount of 5 Million SAR was paid (Note 1). Accordingly, the financial statements of the subsidiary were consolidated during the current year.

10- RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties represent the main partners, affiliate Parties, members of the board of directors and the senior executive management of the Group and the companies in which they are major owners. Prices and terms related to these transactions are approved by the group's management.

The following are the balances with due to related parties shown in the consolidated statement of financial position:

			(Saudi Riyal)		
	Nature of the transaction	**Type of relationship**	**December 31, 2021**	December 31, 2020	January 1, 2020
Due to related party					
Mr / Haitham Mohammed Saleh Al Suhaibany	Financing	Major Shareholder	-	448,561	590,000
Total			-	448,561	590,000

The significant transactions with related parties included in the consolidated statement of comprehensive income and consolidated statement of financial position were as follows:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Type of transaction:			
Expenses paid in behalf	**7,856**	261,232	100,000

Transactions of executive management compensation personnel

Compensation of the group's executive management personnel includes salaries, non-cash benefits and contributions to long-term employment benefits.

Compensation and benefits for senior executive management employees includes the following:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Short-term employee benefits:			
Salaries and benefits of executive BOD members	**540,000**	443,455	654,000
Allowance for attending Board of Directors sessions	**271,000**	168,000	129,871
Executives rewards	**100,000**	120,000	735,000
Total	**911,000**	731,455	1,518,871

11- CASH AND CASH EQUIVALENTS

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Current accounts at banks	**19,422,586**	3,015,427	1,476,813
Cash in hand	**93,184**	69,677	79,625
Total	**19,515,770**	3,085,104	1,556,438

12- CAPITAL

The share capital as of December 31, 2021 is SR 100 million (December 31, 2020: SR 100 million), divided into 10 million shares as of December 31, 2021 (December 31, 2020: 10 million shares) with a nominal value of SR 10 per share.

13- STATUTORY RESERVE

In accordance with Company's articles of association and Company's By-laws and regulations for companies, the Company is required to transfer 10% of its net profit each year to establish a statutory reserve until this reserve reaches 30% of its share capital.

14- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Group's policy states that employees defined benefits obligations is payable to all employees who complete the qualifying service period under the labor law in the Kingdom of Saudi Arabia.

The annual provision is based on the actuarial valuation. The latest actuarial valuation was carried out by an independent expert assigned by the group's management, using the Actuarial Projected Unit Credit Method as at December 31, 2021.

The movement in employees' defined benefits obligations during the years was as follows:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Balance as at the beginning of the year	**3,667,671**	3,274,000	2,890,000
Current service cost	**519,863**	492,000	513,000
Interest cost (Note 22)	**121,000**	101,000	137,000
Loss / (gain) from Actuarial Remeasurement	**317,344**	(128,235)	(243,000)
Paid during the year	**(34,344)**	(71,094)	(23,000)
Balance as at the end of the year	**4,591,534**	3,667,671	3,274,000

<u>Main actuarial assumptions used:</u>

	2021	2020
Discount rate	**2.8%**	2.9%
Expected rate of salary increase	**1%**	2%
Employees turn over	**3% to 8%**	3% to 8%

	2021	2020
Expected retirement age	**60 years**	60 years

<u>Sensitivity analysis:</u>

The sensitivity analysis of employee defined benefit obligations in key actuarial assumptions is as follows:

	(Saudi Riyal)	
	2021	2020
Discount rate +1%	**4,089,671**	3,266,671
Discount rate -1%	**(5,158,671)**	(4,140,671)
Salary increase rate +1%	**5,163,671**	4,140,671
Salary increase rate -1%	**(4,077,671)**	(3,259,671)
Employees turnover rate +1%	**4,610,671**	3,653,671
Employees turnover rate -1%	**(4,542,671)**	(3,679,671)

14- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (CONTINUED)

Risks Associated with Employee Defined Benefit Obligations:

Salary Increase Risks:

The most common type of retirement benefit is the one in which benefits are connected to it final salaries. The risk arises when the actual increases are higher than expected and therefore affect the obligation.

Withdrawal risks:

The actual withdrawal risk that varies with the valuation assumptions could pose a risk to the benefit obligation. The movement in commitment can proceed in both directions.

15- UNEARNED REVENUES

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Unearned revenues from technical support and maintenance	**2,703,500**	3,075,913	2,587,388
Total	**2,703,500**	3,075,913	2,587,388

16- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Value added tax	**3,342,274**	1,089,521	1,520,302
Staff and accruals payables	**1,390,612**	1,193,444	1,472,398
Accrued commission	**1,265,312**	1,102,071	931,845
Accrued vacation	**738,274**	414,915	-
Accrued GOSI	**102,616**	387,534	464,992
Advances from customers	**42,835**	2,456	264,003
Accrued rents	**34,924**	91,904	60,000
Accrued bonus for board of directors	**20,000**	750,676	1,134,904
Others	**328,083**	151,271	96,758
Total	**7,264,930**	5,183,792	5,945,202

17- ZAKAT PROVISION

A- The principal elements of the zakat base are as follows:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Net Adjusted profit / (loss) before zakat	**29,887,966**	(12,694,137)	25,303,099
Equity	**125,983,659**	152,077,238	127,685,129
Provisions and other items	**12,251,575**	4,555,547	4,131,013
Less: non-current assets	**(138,319,138)**	(129,688,956)	(146,029,613)
Zakat base	**29,804,062**	14,249,692	11,089,628

B- The movement in the provision for zakat during the years was as follows:

	(Saudi Riyal)		
	December 31, 2021	December 31, 2020	January 1, 2020
Balance as at the beginning of the year	**3,944,018**	1,768,004	2,430,818
Zakat assessment differences	**-**	1,472,505	-
Zakat adjustments	**-**	371,946	(240,429)
Charge for the year	**781,361**	621,692	260,991
Paid during the year	**(3,701,402)**	(290,129)	(683,376)
Balance as at the end of the year	**1,023,977**	3,944,018	1,768,004

17- ZAKAT PROVISION (Continued)

Zakat and assessment status:
The Company obtained a zakat assessment from 2014 to 2018 amounting to 1,472,504 Saudi riyals, and on Rajab 17 1442 (corresponding to March 1, 2021) the Company obtained the approval from Zakat, Tax and Customs Authority on an installment agreement for the remaining unpaid zakat dues amounting to 2,552,326 Saudi riyals over 6 monthly installments in the amount of 425,387 Saudi riyals, the Company paid the full amount during the current year, Moreover the Company has obtained zakat assessment dated on December 25, 2021 related to years of 2019 and 2020 in the amount of 322,988 SAR which has been paid subsequently.

The Company submitted its financial statements and zakat return up to the year ended December 31, 2020 and obtained a certificate.

Zakat status for Arab Sea Financial Company: The subsidiary Company calculates Zakat provision separately, and the amount due to the Zakat, Tax and Customs Authority amounted to 38,429 Saudi riyals at the end of the period ended December 31, 2021.

18- REVENUES

	(Saudi Riyal)	
	2021	2020
Revenue from licenses in use of software and hardware	**54,755,663**	20,875,629
Revenue from maintenance services and technical support	**2,694,482**	3,246,874
Total	**57,450,145**	24,122,503

Below is a breakdown of the group's revenues from contracts by type of goods or services (revenues for licenses in use of software and hardware) (revenues for maintenance services and technical support), the timing of revenue recognition and the type of customers:

	(Saudi Riyal)	
	2021	2020
Revenue recognition timing:		
At point of time		
Revenue from licenses in use of software and hardware	**54,755,663**	20,875,629
Overtime		
Revenue from maintenance services and technical support	**2,694,482**	3,246,874
Total	**57,450,145**	24,122,503

Most of the group's revenues are from private sector.

19- COST OF REVENUES

	(Saudi Riyal)	
	2021	2020
Amortization intangible assets (Note 6)	**12,013,063**	11,417,619
Salaries, wages and other benefits	**3,543,173**	5,097,287
Cost of hardware and accessories	**3,019,567**	1,100,471
Miscellaneous	**1,369,599**	1,200,010
Total	**19,945,402**	18,815,387

20- SELLING AND MARKETING EXPENSES

	(Saudi Riyal)	
	2021	2020
Commissions	**5,388,269**	2,693,928
Salaries, wages and other benefits	**3,932,140**	2,885,951
Advertisement's expense	**1,370,289**	495,115
Miscellaneous	**783,571**	762,744
Total	**11,474,269**	6,837,738

21-GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2021	2020
Salaries, wages and other benefits	**4,575,976**	3,236,307
Professional and consultation fees	**1,555,728**	618,824
Board of directors' rewards	**1,113,500**	435,919
Iqama and visa	**418,064**	693,042
Insurance and medical expense	**367,919**	300,764
Governmental fees expense	**160,383**	338,418
Car and general maintenance	**77,293**	87,622
Depreciation expense (Note 5)	**64,469**	137,288
Miscellaneous	**956,562**	925,919
Total	**9,289,894**	6,774,103

22- FINANCE COST

	(Saudi Riyal)	
	2021	2020
Finance costs related to the employees' defined benefits obligations (Note 14)	**121,000**	101,000
Total	**121,000**	101,000

23- FINANCIAL RISK MANAGEMENT

The group is exposed to the following risks as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Commission rate risk
- Foreign currency risk
- Currency risk

This note shows information about the Group's exposure to each of the above risks, the group's objectives, policies and methods for measuring and managing risks.

GENERAL FRAMEWORK FOR RISK MANAGEMENT

The overall responsibility for the preparation and monitoring of risk management rests with the Group's management. The group's risk management policies are designed to identify and analyze the risks faced by the group and to set appropriate controls and limits on the extent of exposure to those risks and then monitor them to ensure that the limits set are not exceeded. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Group's activities.

The group's management aims, through training, standards and procedures set by the management, to develop a constructive and organized control environment so that each employee understands his role and the duties assigned to him.

23- FINANCIAL RISK MANAGEMENT (Continued):

CREDIT RISK

Credit risk represents the inability of one party to meet its obligations, which leads to the other party incurring a financial loss. The group's policy states that all customers who wish to deal on a deferred basis are subject to a credit check. Financial instruments that are subject to concentration of credit risk mainly consist of customer receivables. The Group deposits cash with a number of financial institutions with good credit rating, and it has a policy based on setting limits on its deposited balances with each financial institution.

The group does not believe that there are significant risks from the inefficiency of these institutions and the Group does not consider itself exposed to concentrations of credit risks with respect to debtors due to the diversity of its customer base working in various activities and located in multiple regions.

The maximum credit risk to which the Group is exposed is represented by the value of the financial assets listed in the consolidated statement of financial position as follows:

	(Saudi Riyal)	
	2021	2020
Cash at banks	**19,422,586**	3,015,427
Trade receivables	**8,535,754**	7,895,004
Other current assets	**693,296**	1,709,426
Total	**28,651,636**	12,619,857

LIQUIDITY RISK

Liquidity risk represents the difficulty that the Group faces in raising funds to meet commitments related to financial instruments. Liquidity risk can result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group's conditions of sale stipulate that the amounts are to be paid in cash upon supply of the goods or on a deferred basis.

The contractual maturities of non-derivative financial liabilities are as follows:

December 31, 2021	**Book value**	**Contracted cash flow**	**Less than one year**	**More than a year**
	(Saudi Riyal)			
Unearned revenues	**2,703,500**	**2,703,500**	**2,703,500**	**-**
Trade payables	**2,734,275**	**2,734,275**	**2,734,275**	**-**
Accrued expenses and other liabilities	**7,264,930**	**7,264,930**	**7,264,930**	**-**
Total	**12,702,705**	**12,702,705**	**12,702,705**	**-**

December 31, 2020	Book value	Contracted cash flow	Less than one year	More than a year
	(Saudi Riyal)			
Unearned revenues	3,075,913	3,075,913	3,075,913	-
Trade payables	1,963,872	1,963,872	1,963,872	-
Accrued expenses and other liabilities	5,183,792	5,183,792	5,183,792	-
Due to related party	448,561	448,561	448,561	-
Total	10,672,138	10,672,138	10,672,138	-

January 1, 2020	Book value	Contracted cash flow	Less than one year	More than a year
	(Saudi Riyal)			
Unearned revenues	2,587,388	2,587,388	2,587,388	-
Trade payables	2,175,328	2,175,328	2,175,328	-
Accrued expenses and other liabilities	5,945,202	5,945,202	5,945,202	-
Due to related party	590,000	590,000	590,000	-
Total	11,297,918	11,297,918	11,297,918	-

23- FINANCIAL RISK MANAGEMENT (Continued):

MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: commission rate risk, foreign currency risk and other price risk such as equity price risk and commodity price risk.

COMMISSION RATE RISK

Commission rate risk represents the risk that the value of financial instruments will fluctuate due to changes in the commission rates prevailing in the market.

The Group is subject to commission rate risk on in-house borrowing.

FOREIGN CURRENCY RISK

Currency risk represents the risks resulting from the fluctuation of the value of a financial instrument due to changes in foreign exchange rates. The management monitors fluctuations in foreign exchange rates and believes that the Group is not exposed to significant currency risks.

PRICE RISK

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to a significant price risk.

CAPITAL RISK MANAGEMENT

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.

24- PROFIT / (LOSS) PER SHARE – BASIC AND DILUTED

Basic profit / (loss) per share is calculated by dividing the profit / (loss) attributable to the shareholders of the company by the weighted average number of ordinary shares issued during the year and previous year (10 Million SAR). Since the company does not have any diluted potential shares, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

25- PRIOR YEARS ADJUSTMENTS

During 2021, management of the group has restated 2020 comparative financial information to correct certain errors identified in prior years financial statements, which are explained in Note 25 - B. The impact of correction of such error is as follows:

The following adjustments to the consolidated statement of financial position as of January 1, 2020:

		(Saudi Riyal)			
		as of January 1, 2020			
	Notes	**January 1, 2020** (Before adjustment)	**Adjustments Impact**	**Reclassification**	**January 1, 2020** (After adjustment)
ASSETS					
Non-current assets					
Property and equipment		373,176	-	-	373,176
Intangible assets		145,656,437	-	-	145,656,437
Total non-current assets		146,029,613	-	-	146,029,613
Current assets					
Inventory	B - 1	12,411,982	(10,388,946)	-	2,023,036
Trade receivables		7,915,928	-	-	7,915,928
Prepaid expenses and other current assets		503,199	-	-	503,199
Cash and cash equivalents		1,556,438	-	-	1,556,438
Total current assets		22,387,547	(10,388,946)	-	11,998,601
TOTAL ASSETS		168,417,160	(10,388,946)	-	158,028,214
EQUITY & LIABILITIES					
Equity					
Share capital		100,000,000	-	-	100,000,000
Statutory reserve	B – 3	15,385,505	(1,038,895)	-	14,346,610
Retained earnings	B - 1	36,691,733	(9,350,051)	-	27,341,682
Total equity		152,077,238	(10,388,946)	-	141,688,292
LIABILITIES					
Non-current liabilities					
Employees' defined benefits obligations		3,274,000	-	-	3,274,000
Total non-current liabilities		3,274,000	-	-	3,274,000
Current liabilities					
Unearned revenues		2,587,388	-	-	2,587,388
Trade payables		2,175,328	-	-	2,175,328
Due to related party	A	1,724,904	-	(1,134,904)	590,000
Accrued expenses and other current liabilities	A	4,810,298	-	1,134,904	5,945,202
Zakat provision		1,768,004	-	-	1,768,004
Total current liabilities		13,065,922	-	-	13,065,922
Total liabilities		16,339,922	-	-	16,339,922
TOTAL EQUITY & LIABILITIES		168,417,160	(10,388,946)	-	158,028,214

25- PRIOR YEARS ADJUSTMENTS (CONTINUED)

The following adjustments to the consolidated statement of financial position as of December 31, 2020:

		(Saudi Riyal) as of December 31, 2020			
	Notes	**December 31, 2020 (Before adjustment)**	**Adjustments Impact**	**Reclassification**	**December 31, 2020 (After adjustment)**
ASSETS					
Non-current assets					
Property and equipment		390,138	-	-	390,138
Intangible assets		129,298,818	-	-	129,298,818
Total non-current assets		129,688,956	-	-	129,688,956
Current assets					
Inventory	B – 1	12,194,944	(10,343,299)	-	1,851,645
Trade receivables	B -2, A	14,684,527	(6,508,468)	(281,055)	7,895,004
Prepaid expenses and other current assets		1,746,777	-	-	1,746,777
Cash and cash equivalents		3,085,104	-	-	3,085,104
Total current assets		31,711,352	(16,851,767)	(281,055)	14,578,530
TOTAL ASSETS		161,400,308	(16,851,767)	(281,055)	144,267,486
EQUITY & LIABILITIES					
Equity					
Share capital		100,000,000	-	-	100,000,000
Statutory reserve	B – 3	15,385,505	(1,038,895)	-	14,346,610
Retained earnings	B – 1	20,941,453	(9,304,404)	-	11,637,049
Total equity		136,326,958	(10,343,299)	-	125,983,659
LIABILITIES					
Non-current liabilities					
Employees' defined benefits obligations		3,667,671	-	-	3,667,671
Total non-current liabilities		3,667,671	-	-	3,667,671
Current liabilities					
Unearned revenues	B – 2	9,584,381	(6,508,468)	-	3,075,913
Trade payables		1,963,872	-	-	1,963,872
Due to related parties	A	1,199,237	-	(750,676)	448,561
Accrued expenses and other current liabilities	A	4,714,171	-	469,621	5,183,792
Zakat provision		3,944,018	-	-	3,944,018
Total current liabilities		21,405,679	(6,508,468)	(281,055)	14,616,156
Total liabilities		25,073,350	(6,508,468)	(281,055)	18,283,827
TOTAL EQUITY & LIABILITIES		161,400,308	(16,851,767)	(281,055)	144,267,486

25- PRIOR YEARS ADJUSTMENTS (CONTINUED)

The following adjustments to the consolidated statement of comprehensive income for the year ended December 31, 2020:

	Notes	(Saudi Riyal) as of December 31, 2020			
		December 31, 2020 (Before adjustment)	**Adjustments Impact**	**Reclassification**	**December 31, 2020 (After adjustment)**
Revenues		24,122,503	-		24,122,503
Cost of revenues	B–1, A	(18,663,441)	45,647	(197,593)	(18,815,387)
Gross profit		5,459,062	45,647	(197,593)	5,307,116
Selling and marketing expenses		(6,837,738)	-		(6,837,738)
General and administrative expenses	A	(7,072,696)	-	298,593	(6,774,103)
Operating loss		(8,451,372)	45,647	101,000	(8,304,725)
Loss for impairment in intangible assets		(5,000,000)	-	-	(5,000,000)
Other revenue		39,000	-	-	39,000
Finance cost	A	-	-	(101,000)	(101,000)
Loss before Zakat		(13,412,372)	45,647	-	(13,366,725)
Zakat	A	(621,692)	-	(1,844,451)	(2,466,143)
Adjustments and zakat differences	A	(1,844,451)	-	1,844,451	-
Loss for the year		(15,878,515)	45,647	-	(15,832,868)
<u>Other comprehensive income items:</u>					
Items that will not reclassified to profit or loss:					
Actuarial remeasurement of employees' defined benefits obligations		128,235	-	-	128,235
Other comprehensive income for the year		128,235	-	-	128,235
Total comprehensive loss for the year		(15,750,280)	45,647	-	(15,704,633)
Basic and diluted EPS from loss for the year		(1.59)	0.01	-	(1.58)

The following adjustments to the consolidated statement of cash flows for the year December 31, 2020:

	(Saudi Riyal)		
	December 31, 2020 (Before adjustments)	**Adjustments Impact (*)**	**December 31, 2020 (After adjustments)**
Net cash flows from operating activities	1,742,916	-	1,742,916
Net cash flows used in investing activities	(214,250)	-	(214,250)
Net change in cash and cash equivalents during the year	1,528,666	-	1,528,666
Cash and cash equivalents at the beginning of the year	1,556,438	-	1,556,438
Cash and cash equivalents at the end of the year	3,085,104	-	3,085,104

(*) There was no impact of adjustments of consolidated statement of cash flows for the year ended December 31, 2020 as described above.

25- PRIOR YEARS ADJUSTMENTS (CONTINUED)

A – Reclassification

The group has reclassified some items of the consolidated financial statements according to the amendments as follows:

From Category	(Saudi Riyal) January 1, 2020	To Category	(Saudi Riyal) January 1, 2020
Due to related party	1,134,904	Accrued expenses and other liabilities	1,134,904

From Category	(Saudi Riyal) December 31, 2020	To Category	(Saudi Riyal) December 31, 2020
Due to related party	750,676	Accrued expenses and other liabilities	750,676
Accrued expenses and other liabilities	281,055	Trade receivables	281,055
General and administrative expenses	197,593	Cost of revenues	197,593
General and administrative expenses	101,000	Finance cost	101,000
Adjustments and zakat differences	1,844,451	Zakat	1,844,451

B - Explanatory notes to the reconciliation / impact of the consolidated statement of financial position as at January 1, 2020, December 31, 2020, and the consolidated statement of comprehensive income for the year ended December 31, 2020:

B-1 During 2021, the group reassessed the recognition of inventories related to software and identified that such inventories should have not been recorded. Accordingly, management corrected 2020 comparative financial information related to software inventories with corresponding impact on the retained earnings amounted to 10,388,946 Saudi riyals as at January 1, 2020 and 10,343,299 Saudi riyals as at December 31, 2020 and adjusted cost of revenues by 45,647 Saudi riyals for the year ended December 31, 2020.

B-2 During 2021, the group has corrected the impact of trade receivables and unearned revenues as at December 31, 2020 with an amount of 6,508,468 Saudi riyals, relating to a contract that was recognized in the year 2020, which did not meet the criteria for recognition in accordance with IFRS. As no revenues were recorded, accordingly, the correction has no impact on the consolidated statement of comprehensive income for the year ended December 31, 2020.

B-3 The Group has adjusted the allocation to the statutory reserve made in prior years after considering the impact of above adjustments.

26- OPERATIONAL INFORMATION

Operational sector

The group's products originate in the Kingdom of Saudi Arabia, and it has only two sectors, namely the sector of selling licenses to use software and applications, and the hardware sector. Neither of the two segments achieved the limits mentioned in IFRS 8 “Operating Segments” to disclose their information.
The types of revenues and other information and details were disclosed in note (18).

Geographical sector

The Group operates entirely within the Kingdom of Saudi Arabia.

27- CONTINGINT LIABILITIES

The Group has contingent liabilities of bank guarantees issued in the ordinary course of business amounting to 14,057 SAR as at December 31, 2021 (December 31, 2020: 8,009 SAR).

28- FAIR VALUE

Fair value is the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Within the definition of fair value there is an assumption that the Group will continue to operate as there is no intention or requirement to materially reduce the size of its operations or to conduct a transaction on adverse terms.

A financial instrument is considered to be listed in an active market if the listed prices are readily and regularly available from an exchange dealer, industry group broker, pricing services, or regulatory commission, and these prices represent market transactions that have actually occurred and regularly on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities that can be obtained at the measurement date.

Level 2: Inputs other than listed prices included in Level 1 that are observable for the asset or liability, directly (eg prices) or indirectly (derived from prices).

Level 3: Inputs for assets and liabilities that are not based on observable market information (unobservable inputs).

All financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

29- SIGNIFICANT EVENTS

With the continuation of the Corona pandemic, government agencies are constantly taking measures to address public health issues and the economic impact. Accordingly, the Group's management continues to assess whether it will be affected by any developments and measures taken by government agencies and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these consolidated financial statements.

30- SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the year ended December 31, 2021 that could have a material impact on the consolidated financial position of the Group or the results of its operations.

31- COMPARATIVE FIGURES

Comparative figures for the year ended December 31, 2020 have been reclassified to conform to the current year's presentation and classification (Note 25-A).

32- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements approved by the board of directors of the group on 6 Sha‘ban 1443 H (Corresponding to March 9, 2022).