Al ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Head office - Riyadh
License #323/11/96
Date 10/3/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the shareholder
Al Elm Information Security Company
Al Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Elm Information Security Company ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss and other comprehensive income items, 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 at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We 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 of the Group and we have fulfilled our 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.

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's By-laws 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 - the Board of Directors - are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF AL ELM INFORMATION SECURITY COMPANY (CONTINUED)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that 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 that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosure 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 represents 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 TO THE SHAREHOLDER OF AL ELM INFORMATION SECURITY COMPANY (CONTINUED)

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.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Mohammed Subahi
License No. 378

26 Sha'ban, 1442 AH
April 8, 2021

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(Saudi Riyals)

	Note	December 31, 2020	December 31, 2019
Revenue	27	**2,466,065,209**	2,102,019,057
Cost of revenue	22	**(1,639,490,588)**	(1,420,650,808)
Gross profit		**826,574,621**	681,368,249
Expenses			
Selling and marketing	23	**(76,927,388)**	(84,355,264)
Provision for expected credit losses	31	**(35,489,335)**	-
General and administrative	24	**(246,937,757)**	(209,649,116)
Depreciation and amortization	5 ,7 ,8	**(111,611,334)**	(86,856,721)
Operating profit		**355,608,807**	300,507,148
Finance costs	5 ,7	**(6,373,912)**	(4,898,047)
Return on short-term deposits	14 ,15	**10,922,797**	12,148,779
Net share of Profit from associate	9	**103,596**	-
Change in fair value of investments through profit or loss	10	**3,595,548**	-
Other income / (expenses)	25	**8,412,641**	(576,324)
Net profit before Zakat		**372,269,477**	307,181,556
Zakat	28	**(65,690,341)**	-
Net Profit		**306,579,136**	307,181,556
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments through other comprehensive income	10	**866,732**	1,732,887
Re-measurement of end of service benefits provision	18	**259,675**	(11,659,634)
TOTAL COMPREHENSIVE INCOME		**307,705,543**	297,254,809
Earnings per share (in Saudi Riyal):			
Basic and diluted earnings per share from operating profit	33	**71.12**	60.10
Basic and diluted earnings per share from net profit	33	**61.32**	61.44

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

	Note	**December 31, 2020**	December 31, 2019
ASSETS			
Non-current assets			
Property, Plant and equipment	5	**373,732,417**	354,832,427
Capital work in progress	6	**108,538,021**	48,147,079
Right-of-use assets	7	**131,457,589**	153,909,953
Intangible assets	8	**82,978,472**	18,677,252
Investments in associates	9	**212,556**	-
Other financial assets	10	**34,272,554**	16,441,497
Total non-current assets		**731,191,609**	592,008,208
Current assets			
Accounts receivable	11	**1,370,495,889**	1,116,100,812
Contract assets	12	**269,127,254**	414,302,099
Prepaid expenses and other debit balances	13	**79,917,932**	99,018,546
Other financial assets	10	**11,171,707**	3,755,200
Bank deposits	14	**537,968,184**	482,063,295
Cash and cash equivalents	15	**1,013,318,368**	104,827,765
Total current assets		**3,281,999,334**	2,220,067,717
TOTAL ASSETS		**4,013,190,943**	2,812,075,925
EQUITY AND LIABILITIES			
Equity			
Issued and paid capital	16	**50,000,000**	50,000,000
Proposed increase in capital	17	**450,000,000**	-
Statutory reserve		**25,000,000**	25,000,000
Retained earnings		**1,708,935,709**	1,434,562,220
Total equity		**2,233,935,709**	1,509,562,220
Liabilities			
Non-current liabilities			
Liabilities for purchasing property – non-current	5	**74,255,782**	97,752,252
Lease liabilities- non current	7	**101,534,296**	119,269,254
End of service benefits provision	18	**228,121,038**	184,382,388
Total non-current liabilities		**403,911,116**	401,403,894
Current liabilities			
Accounts payable	19	**226,711,828**	169,304,351
Due to related parties	26	**24,104,741**	2,537,750
Contract liabilities	20	**227,282,520**	186,389,099
Accrued expenses and other liabilities	21	**779,689,161**	501,218,123
Zakat	28	**65,690,341**	-
liabilities of purchasing property – current	5	**23,496,470**	22,895,389
Lease liabilities- current	7	**28,369,057**	18,765,099
Total current liabilities		**1,375,344,118**	901,109,811
Total liabilities		**1,779,255,234**	1,302,513,705
TOTAL EQUITY AND LIABILITIES		**4,013,190,943**	2,812,075,925

ELM INFORMATION SECURITY COMPANY
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT DECEMBER 31, 2020
(Saudi Riyals)

	Note	Issued and Paid capital	Proposed Increase in capital	Statutory reserve	Retained earnings	Total equity
Balance as at January 1, 2019		50,000,000	-	25,000,000	1,137,307,411	1,212,307,411
Net profit for the year		-	-	-	307,181,556	307,181,556
Other comprehensive income		-	-	-	(9,926,747)	(9,926,747)
Balance as at December 31, 2019		50,000,000	-	25,000,000	1,434,562,220	1,509,562,220
Balance as at January 1, 2020		**50,000,000**	-	**25,000,000**	**1,434,562,220**	**1,509,562,220**
Book value resulting from the acquisition	1,17	-	**416,667,946**	-	-	**416,667,946**
Transfer from retained earnings to capital	17	-	**33,332,054**	-	**(33,332,054)**	-
Net profit for the year		-	-	-	**306,579,136**	**306,579,136**
Other comprehensive income		-	-	-	**1,126,407**	**1,126,407**
Balance as at December 31, 2020		**50,000,000**	**450,000,000**	**25,000,000**	**1,708,935,709**	**2,233,935,709**

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

	Notes	**December 31, 2020**	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		**372,269,477**	307,181,556
Adjustments for non-cash items:			
Depreciation and amortization	5,7,8	**111,611,334**	86,856,721
Provision for expected credit losses	31	**35,489,335**	-
Loss from disposal of property and equipment		**2,967**	2,008,424
End of service benefits provision	18	**48,600,822**	38,316,848
Gains at fair value through profit or loss	10	**(3,595,548)**	-
Share of earnings from associates	9	**(103,596)**	-
Bank deposits income		**(10,922,797)**	(12,148,779)
Finance costs	5,7	**6,188,174**	4,898,047
		559,540,168	427,112,817
Working capital adjustments:			
Account receivable		**(214,361,695)**	(24,090,856)
Prepaid expenses and other debit balance		**16,726,344**	(21,351,068)
Contract assets		**118,427,966**	(90,614,822)
Accounts payable		**43,126,123**	(40,215,778)
Contract liabilities		**40,649,437**	(13,695,263)
Accrued expense and other liabilities		**154,409,683**	(16,688,679)
Due to related parties		**7,671,213**	-
Cash from operations		**726,189,239**	220,456,351
Proceeds from bank deposits income		**10,013,638**	9,566,164
End of service benefits paid	18	**(12,682,800)**	(9,623,065)
Net cash generated from operating activities		**723,520,077**	220,399,450
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank deposits	14	**194,095,111**	(140,565,085)
Cash acquired upon the acquisition of a subsidiary	1	**245,672,582**	-
Purchase of property, plant and equipment and intangible assets	5,8	**(23,607,815)**	(27,630,953)
Investments in associates		**(108,960)**	-
Other financial assets	10	**(20,785,284)**	(10,014,235)
Payments for capital works in progress	6	**(111,920,090)**	(41,127,108)
Net cash generated from / (used in) investing activities		**283,345,544**	(219,337,381)
CASH FLOWS FROM FINANCING ACTIVITIES			
Component of paid-in capital from capital leases		**(22,829,121)**	(37,552,110)
Payment of liabilities for purchasing property		**(22,895,389)**	(22,309,685)
Payments to related parties		**(14,521,087)**	-
Finance cost paid		**(4,642,421)**	(4,691,388)
Dividends paid		**(33,487,000)**	(26,142,756)
Net cash used in financing activities		**(98,375,018)**	(90,695,939)
Net Increae / (decrease) in cash and cash equivalents		**908,490,603**	(89,633,870)
Cash and cash equivalents at the beginning of the year	15	**104,827,765**	194,461,635
Cash and cash equivalents at the end of the year		**1,013,318,368**	104,827,765

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

Significant non-cash transactions:

	Notes	December 31, 2020	December 31, 2019
Changes in fair value of investments at fair value through other comprehensive income	10	866,732	(1,732,887)
Re-measurement of end of service benefits provision	18	259,676	(11,659,634)
Amounts transferred from prepaid expenses and other debit balances to right-of-use assets		-	(3,485,853)
Transfer from capital work in progress to Property, plant and equipment and intangible assets	6	85,708,299	-
Finance cost		909,159	-
Movement on due to related parties account		13,895,778	-
Additions to right -of- use		7,427,586	-
Transferred from retained earnings to Proposed increase in capital		(33,332,054)	-

1. INFORMATION ABOUT THE COMPANY

Al Elm Information Security Company (the "Company") was established in Riyadh, Kingdom of Saudi Arabia, as a Saudi Limited Liability Company on 24 Shawwal 1408H (corresponding to June 8, 1988). It was converted to a Single Person Saudi Closed Joint Stock Company under the Royal Decree Number (M/90) dated 3 Dhul-Qa'dah 1428H (corresponding to November 13, 2007), and registered under commercial registration number 1010069210. The company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia. According to the company's article of association, the board of directors consists of seven members appointed by the Public Investment Fund, of whom four members are nominated by the Ministry of Interior.

The company's activities consist of providing information security services and working in the field of electronic business, exchange of credit information, managing and operating data and information centers, import, develop, sell and maintain devices, machines, spare parts, softwares, information systems and communication networks, providing purchasing and selling sites through the internet, and working in the field of training and workforce development.

The principal activity of the company is to provide safe electronic services to the government and private sectors and individuals through providing a center for a large database that serves the community as a whole while taking into consideration the privacy in those dealings. Also providing OutSource Services which specializes in the support for public sectors to provide public interaction services and operational work for these sectors. And providing IT solutions and consultation services in the field of information technology which is provided mainly to the public sector. The company provides its services to clients through the following principal business sectors:

1- Product Suites: Specializes in providing electronic services to the government and private sectors.
2- Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.
3- Digital delivery suite: Specializes in providing digital solutions in the field of information technology.
4- Professional services: Specializes in providing training and consultation solutions in various fields.
5- Nationalization and up skilling: Specializes in providing nationalization solutions.

Below is a list of some of the electronic services provided by the company:

1- Yakeen service
2- Muqeem service
3- Umrah service
4- Tamm service
5- Absher service
6- Health insurance linkage service

Below is a description of some of the services provided by the company:

1- "Yakeen" service: This service provides electronic verification from the identity, and it corrects and updates the relevant databases automatically, as it allows its subscribers to verify the data of their customers before entering it into their databases, it also enables them to update what was previously entered into their database according to what is available in the records of the National Information Center. This service also includes several sub services, in which the most important is the service of verifying identity of the subscribers in Initial Public Offering.

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

2- "Muqeem" service: It is an information system that works on the internet and which allows beneficiaries to view information related to their sponsored persons as approved by the General Directorate of Passports. The system provides information on each sponsored person related to the beneficiary, and it also assists the beneficiaries to improve human resources management through providing employment data and reports in a form of various groups of services.

3- "Umrah" service: Umrah services integrates the Ministry of Hajj with the Ministry of Interior and the Ministry of Foreign Affairs to automatically transfer data upon the entry and exit of pilgrims to underlying Umrah companies, and to pre-issue border number. This service is performed in cooperation with the Ministry of Hajj, through licensed companies to provide data to different Umrah companies. Hajj services are based on automatic transferring and registering of data for inside pilgrims so that the companies of the inside pilgrims can give an immediate response to the requests of the applicants to obtain Hajj permits through either acceptance or rejection, in addition to registering the data of accepted applicants automatically.

4- Tamm" service: "Tamm" service provides some electronic traffic management services to the beneficiaries from public and private sectors to enable those relevant transportation and automobile sectors to inquire about the data of their vehicle fleets owned by the sectors and to update the databases of traffic with the data of the vehicles they trade with and transferring its ownership once sales deals are completed, and renew its license, and determine the actual driver or authorized to drive inside and outside the Kingdom, and enables car dealerships to issue ownership licenses and vehicle registration plates immediately.

5- "Absher" platform: It is an integrated digital platform for the services of the Saudi Ministry of Interior which allows governmental parties, citizens, residents and owners of institutions to execute services related to the General Directorate of Traffic, Agency of Civil affairs, the General Directorate of Passports, and others through interactive electronic operations that depends on technical linkage with the relevant authorities and the national information center. For purposes of easing access of services to the beneficiaries, an application for smartphone devices has been developed, and the services have been distributed on sub-platforms as needed: Absher for individuals, Absher for businesses, and Absher for government.

Subsidiaries

The company has established Emdad Al Khebrat Company Limited, a Limited Liability Company registered under commercial registration number 1010414975 on Rajab 22, 1435H (corresponding to May 21, 2014). The Company is wholly owned by Al Elm Information Security Company and it is headquartered in Riyadh. The principal activity of Emdad Al Khebrat Company is to manage call centers, service centers and to provide consultation services in the field of electronic business, operation and maintenance, import, export and sale of devices, hardware, software, systems and workforce development.

The company has established Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010069210 on Ramadan 11, 1440H (corresponding to May 16, 2019). The Company is wholly owned by Al Elm Information Security Company and it is headquartered in Riyadh. The principal activity of the company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores. The Company has not yet commenced its business operations.

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

The company has established Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on Rabi Al Awal 8, 1441H (corresponding to November 5, 2019). The Company is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The Company is headquartered in Riyadh. The principal activity of the company is in financial services, experienced consultancy activities in the field of management and computer programming. The Company has not yet commenced its business operations.

The company has established Elm Digital Payment Company Limited, a Single Person Limited Liability Company registered under commercial registration number 1010619996 on Jumada Al-Awwal 5, 1441H (corresponding to January 1, 2020). The company is wholly owned by Future Resources Company Limited and it is headquartered in Riyadh. The principal activity of the company is technology in financial services. The Company has not yet commenced its business operations.

The company has established Umrah Company for Specialized Services, a Single Person Limited Liability Company registered under commercial registration number 1010656805 on Safar 12, 1442H (corresponding to September 30, 2020). The company is wholly owned by Al Elm Information Security Company and is headquartered in Riyadh. The principal activity of the company is bus transport of passengers between the cities, catering services for Hajj and Umrah, inspection of different systems and measuring their performance, providing marketing services on behalf of others, marketing and reservation of tourist accommodation units, reception and farewell services for pilgrims. The Company has not yet commenced its business operations.

Acquisition of a Subsidiary - Saudi company for knowledge Exchange (Tabadul)

On August 2, 2020, the company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the company) to purchase 100% of the share capital of Saudi company for knowledge Exchange ("Tabadul") with all its rights and obligations and as per agreement, the economic rights and obligations is calculated beginning from January 1, 2020 with a book value of SR 450,154,946 minus the earnings payable for 2019 with an amount of SR 33,487,000.

Tabadul is a Saudi based company headquartered in Riyadh. Tabadul operates in the sectors of information technology, telecommunication, install, maintain, support programs and systems, communication applications, and information technology. As well as owning, establishing, developing, operating and managing communication facilities and information technology, and participate in the development, establishment, operation, maintenance and management of technical areas.

This transaction has resulted in the company gaining a controlling interest over Tabadul. The company accounts for acquisitions of Common-Controlled entities using the business combination pooling of interest method.

(Saudi Riyals)

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

Acquisition of a Subsidiary - Saudi company for knowledge Exchange (Tabadul) (Continued)

The details of the book value of Tabadul company is as follows:

Cash and cash equivalents	245,672,582
Property, plant and equipment	24,482,756
Capital work in progress	34,179,151
Right –of- use assets	7,765,481
Intangible assets	23,371,213
Accounts receivable	48,079,063
Prepaid expenses and other debit balances	16,632,984
Bank deposits	250,000,000
Lease liabilities- non current	(4,778,197)
End of service benefits provision	(8,080,303)
Accounts Payable	(14,281,354)
Due to related parties – long term	(12,672,085)
Due to related parties – short term	(14,521,087)
Accrued expenses and other liabilities	(143,280,995)
Lease liabilities- current	(2,414,263)
Book Value	**450,154,946**
Dividends paid	(33,487,000)
Purchase consideration in the form of increase in share capital (Note 17)	**416,667,946**

The company and its subsidiaries mentioned above are referred to collectively as the “Group” in these consolidated financial statements.

2. BASIS OF PREPARATION

a. Accounting standards applied

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

b. Basis of consolidation

The accompanying consolidated financial statements include the financial statements of Al Elm Information Security Company and its subsidiaries (“collectively referred to as the Group”).

The subsidiary is an entity controlled by the group. The company controls an enterprise when it has controlling interest over the investee company and when the company is exposed to variable returns or has rights to these returns as a result of its participation with the entity and it also has the ability to influence these returns through the power it exerts on the enterprise.

The results of subsidiaries acquired or excluded during the year are included in the consolidated statement of profit or loss and other comprehensive income from the actual acquisition date or until the actual date of disposal, as appropriate.

All inter-company balances, significant transactions, and revenue and expenses between the company and its subsidiaries are eliminated upon consolidation of the financial statements.

The non-controlling interests in the net assets of the subsidiary are determined separately from the equity of the company. Since the subsidiaries are wholly owned by the company. There are no non-controlling interest to be disclosed.

2. BASIS OF PREPARATION (CONTINUED)

b. Basis of consolidation (continued)

The accounting policies applied by the subsidiaries are in accordance with the group's accounting policies. Adjustments are made to the financial statements of the subsidiaries to comply with the financial statements of the group, as required.

c. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for employee end of service benefits provision which has been measured at the present value of future obligations in addition to other financial assets which are measured at fair value through other comprehensive income and fair value through profit or loss.

d. Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals which represents the functional currency.

e. Use of assumptions and estimates

e-1 Important accounting judgments in applying accounting policies

The following are important judgments, regardless of those that include estimates made by the Group's management during the process of applying the Group's accounting policies which have a significant and major impact on the amounts recognized in the consolidated financial statements:

<u>The discount rate used to determine the carrying amount of the group's end of service benefits provision</u>
The Group's end of service liabilities is discounted at a specified rate by referring to the returns of the financial market on the pension obligation index for a period equal to the obligation period as at the end of the report date. It requires setting important judgments when defining criteria for deriving the return, including the country risk premium, and determining amendments which are excluded.

e-2 Using assumptions and estimates

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the consolidated financial statements and the amounts of revenue and expenses during the reporting period. Although these estimates are based on management's knowledge of current events and procedures, actual results may ultimately differ from these estimates due to circumstances out of the groups' control.

The estimates and underlying assumptions are reviewed on an ongoing basis, and adjustments to accounting estimates are recognized in the period in which the estimates are revised if the adjustment affects only that period or in the period of the review and future periods if the adjustment affects current and future periods.

The following are important assumptions that relates to future periods and other major sources of uncertainty in the estimates in the financial reporting period that may have significant risks that result in substantial adjustments to the carrying amounts of assets and liabilities for the upcoming financial year:

<u>Estimated useful lives and residual values of property, plant and equipment and intangible assets</u>
The useful lives and residual values of property, plant, equipment and intangible assets are calculated for the purposes of calculating depreciation and amortization, respectively. These estimates are made based on the expected usage of individual assets. The residual value is determined based on experience and observable data when available.

2. BASIS OF PREPARATION (CONTINUED)

e-2 Using assumptions and estimates (continued)

The assumptions used to estimate the impairment of non-current assets

Determining the impairment of non-current assets requires making a value-in-use for non-current assets or the cash-generating unit where the non-current assets belong. The value used in the calculation requires the management to make an estimate of the expected future cash flows from the non-current assets or the cash generating unit and an appropriate discount rate in order to calculate the present value. An impairment loss can be significant when the actual future cash flows are less than expected.

Calculation of expected credit losses provision

The estimate of expected credit losses provision is calculated in accordance with the accounting policy as disclosed in detail in Note 3.

When measuring the expected credit loss, the Group uses forward-looking information that depends on the assumptions of future movements of various economic factors, and how these movements affect each other. The group also uses estimates to calculate the loss ratios.

The loss on default is the estimation of the loss resulting from default, and it depends on the difference between the accrued contractual cash flows and those the Group expects to receive after taking the cash flows from the collateral and the substantial credit improvements.

Expected credit losses are recognized in the consolidated statement of profit and loss and other comprehensive income. The difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss and other comprehensive income.

The assumptions used to determine the actuarial value of end of service benefits provision

The Group has made various estimates to determine the actuarial value of the employee end of service benefits provision. These estimates are disclosed in Note 18.

The assumptions used to measure revenue

The group have revised the estimates related to the revenue recognition of the partnership contract agreement with Al Riyadh Municipality to carry out municipal control, inspection, development, and collection of its revenue ("Ejadah"). The group used to estimate revenue taking into consideration the non-recording of uncollected amount due to the lack of sufficient information or indicators of the expected collection rate of the services provided. During 2020, the Group has estimated the expected collection rate by analyzing historical data for the years 2018 to 2020 to be able to calculate the expected collection rate. Accordingly, revenue was recognized on the basis of expected collection. An additional revenue with an amount of SR 18.1 million have been recognized as a result of these estimates. Should these assumptions change in future years, the revenue may also be impacted.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a statement of the significant accounting policies used by the group in preparing its consolidated financial statements:

Classification of assets and liabilities as "current" and "non-current"

The group presents the assets and liabilities in the consolidated statement of financial position as current / non-current. The assets are classified current when:

- It is expected to be realized or intended to be sold or exhausted during the normal operations cycle.
- If it is acquired mainly for trading purposes.
- It is expected to be realized within 12 months after the financial period,
  or
- When it is cash and cash equivalents unless there are restrictions on their replacement or their use to pay off any liabilities for a period not less than 12 months after the financial period.

All other assets are classified as "non-current".

All liabilities are classified current when:

- It is expected to be paid during the normal operations cycle.
- If acquired mainly for trading purpose.
- It is due for payment within 12 months after the financial period,
  or
- There is no unconditional right to postpone the payment of liabilities for a period not less than 12 months after the financial period.

All other liabilities are classified as "non-current".

Fair value measurement

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 utilize the asset in its highest and best use.

The Group uses appropriate valuation methods in accordance with the circumstances, and sufficient data are available for it to measure the fair value and increase the use of observable inputs and reduce the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All other assets and liabilities that are measured at fair value or disclosed in the consolidated financial statements are categorized within the fair value hierarchy mentioned below and based on the lowest level inputs that are significant to the fair value measurement as whole.

- Level 1 - quoted prices in active markets for identical assets or liabilities (i.e. without modifying or renewing prices);
- Level 2 - fair value measurements that consider significant lower level inputs that are observable directly or indirectly;
- Level 3 - fair value measurements that don't consider significant lower level inputs that are unobservable.

With respect to the assets and liabilities that are recognized in the consolidated financial statements at fair value on a frequent basis, the Group determines whether the transfer has occurred between the hierarchical levels to measure the fair value by recalibrating the classification (based on significant lower level inputs to measure the fair value as a whole) at the end of each financial period.

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of assets and liabilities and a hierarchy of levels of fair value measurement mentioned above.

Business Combination process for common-controlled entities

Business combination process that involves common-controlled entities and that does not include a consideration is accounted for using business combination pooling of interest method where the assets and liabilities are recorded at their book value in the books of the acquirer. As for business combination process that involves common-controlled entities and that includes a consideration is accounted for using acquisition method of accounting. The consolidated financial statements after the acquisition are presented from the declaration date of the combination without consolidating or restating the comparative year figures and goodwill resulting from the acquisition is not recorded. Any costs incurred from the acquisition are directly recognized in equity.

Investments in associates

An associate is an entity over which the Group has significant influence but does not have control or joint control over it. Significant influence is the Group ability to participate in the financial and operating policies decisions of the investee but has no control or joint control over those policies.

The considerations made in determining significant influence are holding– directly or indirectly – voting rights in the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making, including participation in decisions about dividends or other distributions; material transactions between the Group and its investee; interchange of managerial personnel; or provision of essential technical information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (CONTINUED)

The investment in associates are accounted for in the consolidated financial statement of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position is initially recognized at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the associate adjusted for any impairment in the value of net investment. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses.

Additional losses are recognised and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gain or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Revenue recognition

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers using 5 steps method as mentioned in IFRS 15:

Step (1): Identify the contract (s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.

Step (2): Identify the performance obligations in the contract. A performance obligation is an undertaking stipulated in the contract with the customer to transfer a good or service to the customer.

Step (3): Determine the transaction price: The transaction price represents the amount of compensation that the group expects to have the right in exchange for transferring the promised goods or services to the customer except the amounts that are collected on behalf of third parties.

Step (4): Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that involve more than one performance obligation, the Group will allocate the transaction price to each performance obligation, in an amount that the Group expects to have the right to fulfill each performance obligation.

Step (5): Recognize revenue when (or as) the entity satisfies a performance obligation.
The Group fulfills a performance obligation and recognizes revenue over a period of time if one of the following controls is met:

A) The performance of the group does not originally create an asset with an alternative use to the group, and the group has the right to enforce payment in exchange for the performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

B) Group performance creates or improves a customer-controlled asset at the same time that the asset is constructed or improved.

C) The customer receives the benefits provided by the performance of the facility and consumes it at the same time once the group has performed.

With regard to performance obligations, if any of the above conditions are not met, revenue is recognized at a point of time in which the performance obligation is fulfilled.

In the event that the Group fulfills the performance obligation through providing the promised services, this will lead to the creation of an asset based on a contract in exchange for compensation earned from the performance. In the event that the compensation received by the customer exceeds the amount of proven revenue, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into consideration the terms of the contractual payment, and after excluding taxes and fees. The Group reviews revenue arrangements in accordance with specific criteria to ascertain whether it is acting as principal or agent.

Revenue is recognized to the extent that it is probable that the economic benefits of the group will flow, and that revenue and costs, if applicable, can be measured reliably.

For electronic product revenue, subscription revenue is recognized over a period of time, which is the service subscription period. As for revenue from transactions and the use of prepaid points, their revenues are recognized at a point of time, which is when the service is provided.

As for Revenue from projects, revenue is recognized upon fulfillment of contract performance obligations.

Foreign currencies

Balances and foreign transactions

Originally, transactions in foreign currencies are transferred by the Group's entities at the exchange rates prevailing in the functional currency of the date on which the transaction occur.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing in the functional currency at the date of preparation of the consolidated financial statements. Differences arising from settlement or transfer of monetary items are recognized in the consolidated statement of profit or loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost, recorded in a foreign currency, are translated at the exchange rates prevailing at the date of the initial transactions. Non-monetary items recorded in foreign currencies that are measured at fair value at the exchange rates prevailing at the date when the fair value is determined are transferred. Profits or losses resulting from the conversion of non-monetary items that are measured at fair value are treated in accordance with the recognition of gains or losses resulting from the change in the fair value of the item (i.e. translation differences are recognized on items whose profit or loss is measured at fair value in other comprehensive income or consolidated statement of profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. This cost includes cost of replacing part of the property, plant and equipment and borrowing costs related to long-term construction projects, in case the evidentiary standards are met. If the replacement of important parts of plant and equipment is required on stages, the group consumes these parts independently over their useful lives. Conversely, when a major examination is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and comprehensive income as incurred. The present value of the expected cost of removing an asset (if any) after its use is included in the cost of the underlying asset in the event that the evidentiary criteria related to the recognition of the allowance are fulfilled.

Any item of property, plant and equipment and any significant part that was initially recognized is discontinued upon exclusion or when there are no future benefits expected from use or disposal. Any gains or losses arising from discontinuation of any asset (calculated as the difference between the net proceeds from disposals and the carrying amount of the asset) are included in the consolidated statement of profit or loss and other comprehensive income for the year in which the proof is discontinued.

The residual value, useful lives, and methods of depreciation of property, plant and equipment are reviewed at the end of each financial period and adjustments are made in the future, if appropriate.

Under construction projects appear at the cost incurred until the asset is prepared for the purpose for which it was created. This cost is then capitalized to the related assets. Cost includes the cost of contractors, materials, services, and capital advances.

The following are the expected useful life of the group's property, plant and equipment:

Building	25 - 33 years
Information system devices	3-5 years
Furniture and fixtures	4 - 7 years
Leasehold improvements	5 years
Vehicles	4 - 5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired independently are measured on initial recognition at cost. The cost of intangible assets acquired in the consolidation of entities represents the fair value at the date of acquisition. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Internally developed intangible assets are capitalized.

Intangible assets with a specified life are amortized over their estimated useful lives, and reviewed to ensure that there is an impairment in its value when there is an evidence that indicates that decrease has occurred. The period and method for amortization of intangible assets with a finite useful life are reviewed at least at the end of each financial reporting period. Changes in the accounting of expected useful life or the method of amortizing future economic benefits embodied in the asset – through adjusting the amortization period or method, as appropriate, and it is considered as changes in accounting estimates . Amortization expense for intangible assets with specific lives is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense and in line with the function of the intangible assets.

Intangible assets that do not have a specific life are not amortized, but are tested annually to ensure that there is no impairment in their value either alone or at the cash-generating unit level. The indefinite life asset is reviewed annually to ensure that the assessment made for the unspecified useful life is still supported, otherwise the change from "specified life" to "unspecified life" will be made on a future basis.

Profits or losses resulting from discontinuation of the recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of profit or loss and other comprehensive income upon discontinuation of the asset.

Computer programs

Computer programs are recorded at cost, less accumulated amortization and accumulated impairment losses. Historical cost includes the expenses directly related to purchasing or developing the items.

Amortization is charged to the statement of profit or loss and comprehensive income on a straight-line basis, in order to allocate costs to the related assets less the residual value over the estimated useful lives.

Computer programs and electronic systems are amortized over 5 years.

Impairment of non-financial assets

The Group, at the date of preparing the consolidated financial statements, makes an assessment to ensure that there is no evidence of any impairment in the value of an asset. In case that such evidence exists or when an annual test is required to confirm the existence of an impairment in the value, the Group estimates the recoverable amount for that asset. The recoverable amount represents the higher value of the fair value of the asset or cash generating unit, less costs of disposal and the present value, and is determined for each asset, except in cases where the asset does not generate cash inflows that are largely independent of those from other assets or group assets. In cases where the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the asset is considered to be impaired and is written down to the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

When estimating the present value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments for the time value of money and the risks inherent in the asset. When determining the fair value less cost of sales, it is taken into consideration the latest market transactions that are available. Where no such factors can be identified, appropriate valuation methods are used.

The Group calculates present value based on the information used in calculating the detailed budgets and forecasts, which are prepared independently for each cash generating unit in the group to which the asset is allocated. The information used to calculate budgets and expectations usually covers a five-year period. A long-term growth rate is calculated and applied to the expected future cash flows after the fifth year.

Impairment losses from continuing operations are recognized in the consolidated statement of profit or loss and comprehensive income within expenses and in line with the function of the impaired asset.

For assets, except goodwill, an evaluation is performed at the date of preparing all consolidated financial statements, to ensure that there is any indication that there were no previously reported impairment losses or decreases. If such evidence exists, the Group estimates the recoverable amount of the asset or cash generating unit. The previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal of the entry is limited so that the book value of the asset does not exceed the recoverable value of it nor the book value that was supposed to be determined - after deduction of depreciation - if the impairment loss was not proven in previous years. This reversal is recognized in the consolidated statement of profit or loss and comprehensive income.

Intangible assets with indefinite useful lives are tested to ensure that there is no annual decrease in their value, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

Cash and cash equivalents are shown in the consolidated statement of financial position comprise cash at banks, cash on hand, short term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits as stated above after deducting bank overdrafts (if any) since it's considered an integral part of the group's cash management.

Dividend distribution

The Group recognizes cash or non-cash distributions to the shareholders as liabilities upon approval of the distribution and that the distribution is no longer under the groups control. According to the Companies Law in the Kingdom of Saudi Arabia, final dividends are recognized when approved by the General Assembly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Group has current or expected legal obligations as a result of past events, it is probable that the outflow of resources with economic benefits will be necessary to settle the obligation and a reliable estimate of the amount of the obligation can be performed. When the Group expects that some or all of the provisions will be recovered, for example under an insurance contract, the recoveries are recognized as a separate asset but only when these recoveries are almost confirmed. The expense related to the provision is displayed in the consolidated statement of profit or loss and comprehensive income after discounting any recoverable amounts.

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

Segmental reporting

The business sector is a group of assets and operations related to providing products or services that are subject to risks and returns that are different from those related to other business sectors, which are measured according to the reports used by the executive management.

The disclosures of the segment reports are consistent with the information reviewed by the chief operating decision maker. The enterprise discloses information about the applied measurement principles, such as the nature and effect of any differences between the measurements used in the information about the sectors from which reports are issued and those measurements used.

Employee end of service benefits

The group provides end of service benefits to the employees if eligible as a defined benefit program.

The net assets or liabilities of the retirement program recognized in the consolidated statement of financial position are the fair value of the program assets, if any, less the present value of the defined benefit obligations expected at the preparation date of the financial statements.

The defined benefit liabilities are periodically re-measured by independent actuaries using the expected credit unit method. The present value of the defined benefit liabilities is determined by discounting the estimated future cash flows using commission rates for high-quality corporate bonds that are recorded in the currency in which the benefits are to be paid, and which have terms close to the terms of the related obligations. Commission cost is calculated by applying the discount rate to the net balance of the defined benefit liabilities and the fair value of the program assets. This cost is included in employee benefits expenses in the consolidated statement of profit or loss and other comprehensive income.

The costs of the defined benefit liabilities for the initial periods are calculated on an annual basis using the rate of actuarially defined pension cost at the end of prior year, after adjusting for significant market fluctuations and any significant one-time events, such as program adjustments or manpower cuts and reimbursement. In the absence of such significant market fluctuations and one-time events, actuarial liabilities are carried forward based on assumptions at the beginning of the year. If there are material changes to the assumptions or arrangements during the initial period, a re-measurement of these liabilities is taken into consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee end of service benefits (CONTINUED)

Re-measurements, comprising actuarial gains and losses, are reflected immediately in other comprehensive income in the period in which they occur. Changes in the present value of the defined benefit liabilities resulting from settlements or downsizing the program are recognized directly in consolidated statement of profit or loss and other comprehensive income as a past service cost.

A liability assessment under these programs is performed by an independent actuary based on the expected credit unit method. The costs related to these programs consist mainly of the present value of related benefits, on an equal basis, in each year of service and commissions on this obligation in relation to employee services in prior years.

The costs of current and prior services related to post-employment benefits are recognized directly in the consolidated statement of profit or loss and other comprehensive income while the increase in the commitment to the discount rates recorded as a financing costs. Any changes in net liabilities as a result of actuarial valuations and changes in assumptions are re-measured to other comprehensive income.

In the Kingdom of Saudi Arabia, with regard to the employee end of service benefits provision, the actuarial valuation process takes into consideration the Saudi labor law and the group policy.

Financial instruments

Financial assets and financial liabilities are recognized when Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities were initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income are recognized immediately in the consolidated statements of profit or loss and other comprehensive income.

Financial assets

All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at Fair Value through Other Comprehensive Income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at Fair Value through Profit or Loss ("FVTPL"). Despite the above, the Group may make the following irrevocable election / designation at the initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Amortized cost and effective interest rate method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the net financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial assets.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in consolidated statement of profit or loss and other comprehensive income and is included in the "finance income - interest income" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss and other comprehensive income on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in consolidated statement of profit or loss and other comprehensive income in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in the consolidated statements of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into consideration any collateral held by the Group).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The following accounting policies are applied to the subsequent measurement of financial assets:

Financial assets at amortized cost: Subsequent measurement of these assets is carried at amortized cost using the effective interest rate. Amortized cost is reduced by the impairment loss. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss is recognized in profit or loss.

Impairment - Financial Assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” model. Which requires a great estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis.

The new impairment model is applied to financial assets measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in consolidated profit or loss and other comprehensive income.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Measurement and recognition of expected credit losses (CONTINUED)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are Grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The Grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and other comprehensive income.

Right –of- use assets and Lease Liabilities

As per requirement of IFRS 16, the Group assesses whether the contract is based on or contains a contract according to the concept of the lease, determining whether the arrangement is based on or contains a lease contract according the substance of the arrangement at the beginning of the lease. The arrangement represents a lease or contains a lease if the arrangement is based on the use of a specific asset or assets and the arrangement provides a right to use the asset or assets even if this right is not clearly expressed in the arrangement.

As a leasee

The Group previously classified the leases as operating or financing leases based on its assessment of whether the lease transfers all risks and rewards of ownership of the underlying asset to the group. As per requirement of IFRS 16, the Group recognizes the right -of- use the assets and lease liabilities for most leases – which means that these leases are included in the financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right –of- use assets and Lease Liabilities (continued)

As a leasee (continued)

As part of the initial application of IFRS 16, the Group has decided not to apply the requirements of IFRS 16 to lease contracts that expire within 12 months of the date of the initial adoption. In such cases, the associated lease payments are recognized as an expenses on straight-line method over the term of the lease. In addition, the Group also used practical ways to apply a single discount rate to the lease contracts portfolio with similar characteristics and excluded direct costs from measuring the right -of- use asset at the date of the initial adoption.

Initial recognition

The assets and liabilities arising from the lease are initially measured based on the present value.

1. The right -of- use assets measured at cost that consists of the following:

- The initial measurement value of the lease liability.
- Any lease payments made on or before the date of commencement of the contract, less any lease contract incentives.
- Any initial direct costs.
- Renewal costs.

2. Lease liabilities include the net present value of the following lease payments:

Fixed payments (including fixed payments in substance), less any lease contracts incentives receivable.

- Variable lease payments based on an index or rate.
- Amounts expected to be paid by the lessee under the residual value guarantees.
- The exercise price of the purchase option if the tenant is reasonably certain of the exercise of this option.
- Paying the contract termination fines if the lease term reflects the tenant's practice of this option.

Subsequent measurement

The right –of- use assets

The company applies the cost method and measures the asset related to the right to use at value at initial recognition:

A) After deducting the accumulated depreciation and any accumulated losses of impairment.

B) The amendment after any re-measurement of the lease liabilities of the lease modifications.

Lease commitment

The company measures rental liabilities after the start date by:

A) Increase in book value to reflect interest on lease liabilities.

B) Reducing book value to reflect lease payments made.

C) Remeasurement of book value to reflect any revaluation or amendment of the lease.

Zakat

The Group charges and accounts for zakat provision in its consolidated financial statements on the basis of zakat base as per zakat regulations in the Kingdom of Saudi Arabia. Any difference in the estimate is recorded when the final assessment is approved by General Authority of Zakat and Tax.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

4-1 New and amended IFRSs that are effective for the current year

Except what is mentioned below, the accounting policies used when preparing these consolidated financial statements are the same as those applied when preparing the consolidated financial statements for the year ended December 31, 2019.

The following IFRSs are effective for years beginning on or after January 1, 2020

- Amendments on IFRS 7 “Financial Instruments”: Disclosures and IFRS 9 “Financial Instruments” regarding pre-replacement issues in the context of the IBOR reform.
- Amendment on IFRS 16: rent concession due to COVID-19
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
- Amendments to clarify the definition of business activity
- Amendments related to the definition of significance

The above IFRSs, amendments or interpretations have not had a material impact on the consolidated financial statements.

4-2 New and amended IFRSs not yet effective

The following IFRSs are effective for years beginning on or after January 1, 2021

- IFRS 17: “Insurance Contracts”
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures (2011)” relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
- Amendments to IFRS 3 “Business Combinations”
- Amendment to IAS 16 “Property, Plant, and Equipment” related to proceeds prior to the intended use of assets.
- Amendment to IAS 37 “Provision, Contingent Liabilities, and Contingent Assets” related to the cost of contract fulfillment for onerous contracts.
- Annual Improvements to IFRSs 2018-2020 Cycle Amendments to IFRS 1 “First time adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IFRS 16 “Leases”, and IAS “Agriculture”

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable. The adoption of these new standards, interpretations and amendments may have no significant impact on the consolidated financial statements of the Group in the period of initial application.

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5. PROPERTY, PLANT AND EQUIPMENT

	Land (A)	Buildings (A)	Information system devices	Furniture and Fixtures	Leasehold improvements	Vehicles	Total
<u>Cost</u>							
Balance as at January 1, 2019	25,760,000	280,665,200	54,990,782	33,392,137	102,901,528	7,363,260	505,072,907
Additions during the year	-	2,088,281	14,752,557	3,036,352	2,890,271	1,413,305	24,180,766
Disposals during the year	-	-	(2,322,093)	(796,913)	-	(604,950)	(3,723,956)
Balance as at December 31, 2019	25,760,000	282,753,481	67,421,246	35,631,576	105,791,799	8,171,615	525,529,717
Cost resulting from acquisition (Note 1)	8,000,000	18,325,000	1,643,596	7,168,260	-	1,738,500	36,875,356
Additions during the year	-	31,665	20,821,379	828,189	22,500	1,023,288	22,727,021
Transfer from capital work in progress	-	-	10,687,026	1,126,571	8,010,743	-	19,824,340
Disposals during the year	-	-	(235,827)	(9,729)	-	(2,700,499)	(2,946,055)
Balance as at December 31, 2020	**33,760,000**	**301,110,146**	**100,337,420**	**44,744,867**	**113,825,042**	**8,232,904**	**602,010,379**
<u>Accumulated Depreciation</u>							
Balance as at January 1, 2019	-	7,130,224	41,820,484	23,308,987	51,625,212	5,350,005	129,234,912
Depreciation during the year	-	8,516,197	10,246,800	4,986,031	18,296,161	1,132,721	43,177,910
Disposals during the year	-	-	(876,336)	(385,676)	-	(453,520)	(1,715,532)
Balance as at December 31, 2019	-	15,646,421	51,190,948	27,909,342	69,921,373	6,029,206	170,697,290
Accumulated depreciation resulting from acquisition (Note 1)	-	6,597,000	1,468,036	3,669,249	-	658,315	12,392,600
Depreciation during the year	-	9,305,183	12,053,991	6,031,294	19,421,558	1,319,131	48,131,157
Disposals during the year	-	-	(232,858)	(9,729)	-	(2,700,498)	(2,943,085)
Balance as at December 31, 2020	-	**31,548,604**	**64,480,117**	**37,600,156**	**89,342,931**	**5,306,154**	**228,277,962**
Net book value:							
As at December 31, 2020	**33,760,000**	**269,561,542**	**35,857,303**	**7,144,711**	**24,482,111**	**2,926,750**	**373,732,417**
As at December 31, 2019	25,760,000	267,107,060	16,230,298	7,722,234	35,870,426	2,142,409	354,832,427

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(A) During year 2011, ELM Information Security Company purchased a land and a main building for the company in the amount of SR 25 million and SR 228 million, respectively. Noting that the amount will be paid according to a schedule of payments agreed in the sales contract, where the last payment will be in 2024, and the ownership of the land and building will be transferred to the company when the last payment is made. The company added improvements to the building amounting to SR 50 million, the cost of the building then become SR 278 million.

The liabilities of purchasing a property consist of the following:

	December 31, 2020	December 31, 2019
Liabilities of purchasing a property - non current	**74,255,782**	97,752,252
Liabilities of purchasing a property – current	**23,496,470**	22,895,389

The following is a schedule of the due payments over the coming years:

Year	**Value**
2021	23,496,470
2022	24,113,331
2023	24,746,387
2024	25,396,064
	97,752,252

The following are finance costs related to the property that is charged to the statement of profit or loss and other comprehensive income:

	December 31, 2020	December 31, 2019
Finance costs	**3,411,390**	3,990,910

6. CAPITAL WORK IN PROGRESS

Payments for capital work in progress of electronic platforms and products is as follows:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**48,147,079**	7,019,971
Net result of acquisition (note 1)	**34,179,151**	-
Additions	**121,321,653**	47,254,118
Transferred to property, plant and equipment (note 5)	**(19,824,340)**	-
Transferred to intangible assets (note 8)	**(65,883,959)**	(1,496,987)
Disposals during the year	**(9,401,563)**	(4,630,023)
Balance year end	**108,538,021**	48,147,079

(Saudi Riyals)

7. RIGHT -OF- USE ASSETS

The movement of right -of- use assets during the year is as follows:

	Buildings and Land	**Printers**	**Vehicles**	**Total**
Balance as of January 1, 2019	-	-	-	-
Effect of IFRS 16 adoption	58,565,737	2,521,015	-	61,086,752
Additions during the year	115,067,691	-	2,917,873	117,985,564
Depreciation during the year	(23,031,278)	(672,148)	(1,458,937)	(25,162,363)
Disposals during the year	-	-	-	-
Balance as of 31 December 2019	**150,602,150**	**1,848,867**	**1,458,936**	**153,909,953**
Net result of acquisition (note 1)	7,765,481	-	-	7,765,481
Additions during the year	7,427,586	-	-	7,427,586
Depreciation during the year	(35,514,347)	(672,148)	(1,458,936)	(37,645,431)
Disposals during the year	-	-	-	-
Balance as of December 31, 2020	**130,280,870**	**1,176,719**	-	**131,457,589**

The lease liability consists of the following:

	December 31, 2020	December 31, 2019
Lease liabilities- no n current	**101,534,296**	119,269,254
Lease liabilities- current	**28,369,057**	18,765,099

The following are finance costs that were charged to the consolidated statement of profit or loss:

	December 31, 2020	December 31, 2019
Finance costs	**1,738,828**	907,137

8. INTANGIBLE ASSETS

	December 31, 2020	December 31, 2019
Cost		
Balance at the beginning of the year	**131,831,189**	128,381,002
Cost resulting from acquisition (note 1)	**146,459,956**	-
Transferred from capital work in progress	**65,883,959**	-
Additions during the year	**880,794**	3,450,187
Cost at the end of the year	**345,055,898**	131,831,189
Accumulated amortization		
Balance at the beginning of the year	**(113,153,937)**	(94,637,489)
Accumulated amortization resulting from acquisition (note 1)	**(123,088,743)**	-
Amortization during the year	**(25,834,746)**	(18,516,448)
Accumulated amortization at the end of the year	**(262,077,426)**	(113,153,937)
Net Book Value at the end of the year	**82,978,472**	18,677,252

(Saudi Riyals)

9. INVESTMENTS IN ASSOCIATES

The following investments in associates are accounted for according to the equity method with respect to the portion related to the investment in the company's capital. As for the portion that represents an advance payment for future ownership rights, it is re-evaluated in accordance with IFRS 9 and recognizing gains or losses through the statement of profit or loss (Note 10).

9-1 Details of Associates

	December 31, 2020	December 31, 2019
Sahel Al Madar Trading Company (A)	**30%**	-
Smart Home Solutions for Information Systems Technology (B)	**24%**	-

A) On August 16, 2020 the Company signed an agreement to invest in Sahel Al Madar Trading Company in accordance with the Companies Laws in Saudi Arabia under a commercial registration number 1010586820. The company's activities consist of directing freight transport vehicles, freight brokers. The Group invested an amount of SR 6,000,000, divided into two parts, SR 60,000, representing an investment using the equity method which it accordingly acquired 30% of the company and a down payment for future ownership rights in the company which represents the remaining amount of SR 5,940,000. Note that the company has reported losses during the year, and losses were recognized in the amount of SR 60,000.

B) On November 1, 2020 the Company signed an agreement to invest in Smart Home Solutions for Information Systems Technology in accordance with the Companies Laws in Saudi Arabia under a commercial registration number 1010463892. The company's activities consist of design and programming of special software and maintenance of software and design of web pages. The Group invested an amount of SR 4,900,000, divided into two parts, SR 48,960, representing an investment using the equity method which it accordingly acquired 24% of the company and a down payment for future ownership rights in the company which represents the remaining amount of SR 4,851,040. Note that the company has reported profits during the year, and profits were recognized in the amount of SR 163,596.

10. OTHER FINANCIAL ASSETS

	December 31, 2020	December 31, 2019
Financial assets at FVTPL (10-1)	**23,140,538**	3,755,200
Financial assets at FVTOCI (10-2)	**22,303,723**	16,441,497
	45,444,261	20,196,697
Non-Current	**34,272,554**	16,441,497
Current	**11,171,707**	3,755,200

(Saudi Riyals)

10. OTHER FINANCIAL ASSETS (CONTINUED)

10-1 Financial assets at FVTPL

Financial assets at fair value through profit or loss include prepayments for future ownership rights in several companies as outlined below:

	Zid Company (A)	Foodics Company (B)	Sahal Almadar Company (note 9)	National Solution Company (note 9)	Total
Balance at January 1, 2019	3,755,200	-	-	-	3,755,200
Additions during the year	-	-	-	-	-
Change in fair value during the year	-	-	-	-	-
Balance as at December 31, 2019	**3,755,200**	-	-	-	**3,755,200**
Additions during the year	**-**	**4,998,750**	**5,940,000**	**4,851,040**	**15,789,790**
Change in fair value during the year	**1,168,122**	**1,249,635**	**270,221**	**907,570**	**3,595,548**
	4,923,322	**6,248,385**	**6,210,221**	**5,758,610**	**23,140,538**

A) Zid Company, an entity established in accordance with the Commercial Companies Laws in Abu Dhabi under commercial registrations number 000001640. The company provides integrated technological solutions for the retail sector, where the user can set up an electronic portal and specify payment and delivery methods for his customers through an electronic platform. Al Elm has invested an amount of SR 3,755,200 as a down payment in exchange for the right to buy shares at a later date.

B) Foodics Company, an entity established in accordance with the Commercial Companies Laws in British Virgin Islands under commercial registrations number 1941071. The company provides a unified cloud platform for managing restaurant services, enabling the restaurant to manage its sales and receive digital payments. Al Elm has invested an amount of SR 4,998,750 as a down payment in exchange for future equity.

10-2 Financial assets at FVTOCI

The movement in the balance of financial assets FVTOCI is as follows:

	Syarah company (A)	Bayzat company (B)	Unifonic company (C)	Healthyfyme company (D)	Total
Balance at January 1, 2019	-	-	4,694,375	-	4,694,375
Additions during the year	5,007,333	5,006,902	-	-	10,014,235
Change in fair value during the year	3,849,251	(4,052,832)	1,936,468	-	1,732,887
Balance as at December 31, 2019	**8,856,584**	**954,070**	**6,630,843**	-	**16,441,497**
Additions during the year	-	-	-	4,995,494	**4,995,494**
Change in fair value during the year	1,710,267	(291,342)	3,477,873	(4,030,066)	**866,732**
Balance as at December 31, 2020	**10,566,851**	**662,728**	**10,108,716**	**965,428**	**22,303,723**

10. OTHER FINANCIAL ASSETS (CONTINUED)

10-2 Financial assets at FVTOCI (continued)

A) Syarah Company was established according to the British Virgin Islands Commercial Companies Law under Commercial Registration No. 1924624. The company provides many services provided to car buyers and sellers through the "Syarah Online" platform and is considered an integrated shopping platform that provides its customers with financing, marketing, summary report and more services. The number of shares owned reached 9,331.12 shares, valued at SR 535.37 per share, which constitutes of 10% of the total shares paid.

B) Bayzat Company was established according to the Cayman Islands Commercial Companies Law. The company provides insurance solutions where the user can compare and choose the best option according to his requirements via Bayzat platform, as well as the company provides through its platform human resources systems and automate it safely. The number of owned shares reached 6,521 preferred shares, at a value of SR 766.75 per share, which forms 1.7% of the total preferred shares paid.

C) Unifonic Company was established according to the Virgin Islands Business Companies law under Commercial Registration No. 1887019. The company provides the latest technology to develop strong communications by adopting a secure API defined by text messages and voice calls, two-factor verification and number verification in order to ensure reliable communication channels between companies and customers. The number of shares owned 1,562,500 shares, with a value of SR 3.0044 per share, which forms 1.2% of the total paid shares.

D) Healthyfyme Company was established according to Singapore Commercial Companies Law under Commercial Registration No. R20135901. The company provides a smartphone application that helps users track their sports activity and diet and connects them with nutrition and fitness specialists from human or artificial intelligence specialists. The number of shares owned is 89,262 shares with a value of SR 4.995 million which forms 1.4% of the total paid shares.

All the above-mentioned investments are unlisted companies and their fair value has been determined by comparing them with similar companies in active markets in accordance with the requirements of International Financial Reporting Standard 13.

(Saudi Riyals)

11. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2020	December 31, 2019
Government receivables*	**1,079,622,741**	823,733,424
Trade receivables	**475,419,043**	466,888,509
	1,555,041,784	1,290,621,933
Expected credit losses provision	**(184,545,895)**	(174,521,121)
	1,370,495,889	1,116,100,812

*Government receivables balance includes an amount of SR 24,289,551 due from Public Investment Fund as disclosed in note 26.

Account receivables ageing is as follows:

	December 31, 2020		December 31, 2019	
	Government	Private	Government	Private
0-90 days	**388,315,404**	**287,301,629**	331,838,066	156,404,879
91-180 days	**81,414,336**	**29,226,888**	88,288,553	73,415,563
181-365 days	**64,167,595**	**40,722,881**	82,495,379	31,202,114
More than 365 days	**545,725,406**	**118,167,645**	321,111,426	205,865,953
	1,079,622,741	**475,419,043**	823,733,424	466,888,509

The movement of expected credit losses is as follows:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**174,521,121**	184,430,197
Resulting from acquisition	**1,979,093**	-
Provision for the year (note 31)	**8,045,681**	-
Reversal for the year	**-**	(9,909,076)
Balance at the end of the year	**184,545,895**	174,521,121

(Saudi Riyals)

12. CONTRACT ASSETS

Contract assets represent revenues generated by services performed by the group that have not been invoiced to customers up to the date of the consolidated financial statements, and that revenue will be invoiced during the subsequent periods.

Contract assets consists of the following:

	December 31, 2020	December 31, 2019
Government receivables	**303,722,143**	376,123,937
Trade receivables	**25,458,701**	71,484,873
	329,180,844	447,608,810
Expected credit losses provision	**(60,053,590)**	(33,306,711)
	269,127,254	414,302,099

The movement of expected credit losses is as follows:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**33,306,711**	23,397,635
Provision for the year	**26,746,879**	9,909,076
Balance at the end of the year	**60,053,590**	33,306,711

13. PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

	December 31, 2020	December 31, 2019
Prepaid insurance and rent	**30,179,661**	31,583,129
Deferred costs	**24,330,173**	29,478,608
Employees receivable	**19,184,194**	31,275,516
Advances to suppliers	**3,731,988**	3,261,470
Accrued interest revenue	**909,159**	2,824,882
Other	**1,582,757**	594,941
	79,917,932	99,018,546

14. BANK DEPOSITS

The balance of long-term bank deposits consists of long-term deposits with a term of more than three months. The average commission is 1.21% annually, and the consolidated statement of profit or loss and other comprehensive income has been charged with a total deposit income of SR 10.9 million during the year ended December 31, 2020.

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15. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents as of December 31, consists of the following:

	December 31, 2020	December 31, 2019
Cash at banks	**247,918,068**	104,827,765
Short term Murabaha deposits *	**765,400,300**	-
	1,013,318,368	104,827,765

*The balance of short-term Murabaha deposits consists of short-term deposits of three months and less. The average commission is 0.56% annually.

16. ISSUED AND PAID CAPITAL

The issued and paid up share capital consist of 5,000,000 shares with a face value of SR 10 per share.

17. PROPOSED INCREASE IN SHARE CAPITAL

During the year, the shareholder has approved an increase in company share capital with an amount of SR 450,000,000 through transferring SR 33,332,054 from retained earnings and an amount of SR 416,667,946 as result of Tabadul acquisition (Note 1) through issuing 45,000,000 ordinary shares. The statutory procedures associated with this increase were completed during 2021.

18. END OF SERVICES BENEFITS PROVISION

	December 31, 2020	December 31, 2019
Financial assumptions:		
Discount rate	2.2%	3.5%
Salary increase rate	5%	5%

Employee end of service benefits provision movement in present value:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year - present value of end of service benefits provision	**184,382,388**	144,028,971
Net resulting from acquisition (note 1)	**8,080,303**	-
Current service cost	**42,669,687**	31,117,775
Current service financing cost	**6,859,155**	7,199,073
Cost transfer to capital work in progress	**(928,020)**	-
Benefits paid	**(12,682,800)**	(9,623,065)
Actuarial (losses) / gains arising from the liability	**(259,675)**	11,659,634
Present value of end of service benefits provision	**228,121,038**	184,382,388

(Saudi Riyals)

18. END OF SERVICE BENEFITS PROVISION (CONTINUED)

Following are sensitivity analysis for the actuarial assumptions:

	December 31, 2020		December 31, 2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (change by 1%)	(21,659,636)	25,726,246	(17,949,074)	21,342,758
Increase salary rate (change by 1%)	25,900,660	(22,220,456)	21,545,048	(18,455,549)
Mortality rate (change by 10%)	(41,338)	41,452	(32,480)	32,569
Employee turnover rate (change by 10%)	(2,758,826)	2,970,074	(2,444,782)	2,623,137

19. ACCOUNTS PAYABLE

Accounts payable are amounts due to suppliers that have not been paid up to the date of the consolidated financial statements. These liabilities resulted from transactions with suppliers linked to the Group's operations and capital expansions. It is expected that the outstanding amounts will be paid to suppliers within a period of less than one year.

20. CONTRACT LIABILITIES

The contract liabilities represent revenue received in advance for contracts that the Group has not completed or has not realized revenue until the date of the consolidated financial statements, in accordance with the terms of the contract. These revenues are expected to be realized in subsequent periods less than a year.

21. ACCRUED EXPENSES AND OTHER LIABILITES

Accrued expenses and other liabilities are as follows:

	December 31, 2020	December 31, 2019
Contractual costs	**239,257,606**	232,096,207
Employees accruals	**187,541,074**	159,813,799
Public-private partnerships projects	**120,119,986**	17,142,295
Advances from customers	**88,794,120**	55,031,244
Marketing and sales commissions	**23,614,159**	23,933,062
Retention payables	**10,346,427**	7,745,459
Others	**110,015,789**	5,456,057
	779,689,161	501,218,123

(Saudi Riyals)

22. COST OF REVENUE

Cost of revenue for the year ended December 31, is as follows:

	December 31, 2020	December 31, 2019
Salaries and employee benefits	**915,758,328**	828,237,831
Direct costs	**723,732,260**	592,412,977
	1,639,490,588	1,420,650,808

23. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended December 31, is as follows:

	December 31, 2020	December 31, 2019
Salaries and employee benefits	**55,777,943**	59,812,699
Advertising and exhibitions	**10,683,843**	10,932,066
Sadad service expenses	**5,943,056**	5,360,692
Public relations	**3,721,906**	7,191,423
Other expenses	**800,640**	1,058,384
	76,927,388	84,355,264

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31, is as follows:

	December 31, 2020	December 31, 2019
Salaries and employee benefits	**187,148,019**	148,780,763
Consulting and professional services	**18,819,941**	19,703,639
Hospitality and activities	**8,783,160**	16,870,395
Repair and maintenance expenses	**4,656,815**	5,162,271
Utilities and communications	**4,478,167**	3,923,867
Contractor expenses	**4,943,163**	6,370,181
Other expenses	**18,108,492**	8,838,000
	246,937,757	209,649,116

(Saudi Riyals)

25. OTHER INCOME AND EXPENSES

Other (expenses) income for the year ended December 31, are as follows:

	December 31, 2020	December 31, 2019
Funds received from Human Resources Development Fund to support Saudization	**4,722,212**	813,221
Reversal (formation) of legal cases provision (a)	**3,000,401**	(2,271,000)
Others	**690,028**	881,455
	8,412,641	(576,324)

(a) On August 9, 2018, a legal case was raised against the company which includes a claim for payment of rent amounts related to one of the service centers for the civil affairs project with an amount of SR 3 million. A final appeal was ruled in favor of the Group and this has resulted in a reversal of provision of SR 3 million as other income.

26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of the shareholder of the group, associates and affiliate companies, directors and senior management employees of the group. The terms and conditions of these transactions are approved by the Group's management. In accordance with the normal circumstances of transactions, the group conducts transactions with related parties including dealing with the Public Investment Fund (the main shareholder), members of the board of directors, executives and other companies owned by the Public Investment Fund or members of the board of directors of those companies. All of these transactions are carried out according to the terms agreed by the management of the group. During the year, the group conducted transactions with the following related parties:

Related Party	**Relationship**
Public Investment Fund	Shareholder
Senior executive managers	Employees
Board of directors	Members
Unifonic company	Affiliates
National Solutions Company	Affiliates

The transactions with related parties are similar to commercial transactions with external parties. Below are the details of the significant transactions with related parties during the year ended December 31:

	December 31, 2020	December 31, 2019
Transactions with the shareholder		
Service revenue	**26,248,524**	24,799,593
Dividends paid (Note 1)	**33,487,000**	-
Transaction with board of directors and senior executive managers		
Salaries and benefit	**22,537,340**	15,191,107
Remunerations and allowances	**12,914,366**	12,982,224
End of service indemnity	**1,664,641**	1,947,433

(Saudi Riyals)

26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2020	December 31, 2019
Balances:		
Due from related parties included in trade receivable for service revenue	**24,289,551**	10,231,463
End of service indemnity for senior executive managers	**12,252,434**	10,239,791
Due to Related Parties		
Loan from Public Investment Fund (1)	**13,895,778**	-
Unifonic Company	**8,092,751**	551,250
Smart National Solution Company	**129,712**	-
Dividends payable	**1,986,500**	1,986,500
	24,104,741	2,537,750

(1) The loan balance of SR 13.8 riyals is represented in a commission-free financing repayment agreement between the Public Investment Fund and Tabadul company noting that there is an amount of SR 1.2 million in financing costs charged to the statement of profit and loss related to the loan.

(Saudi Riyals)

27. SEGMENT INFORMATION

A) The following are the selected financial information for these sectors:

For the year Ended December 31, 2020	**Product suits**	**Business Process Outsourcing**	**Digital delivery Suite**	**Professional Services**	**Nationalization & upskilling**	**Total**
Revenues	1,572,443,669	530,818,413	154,646,229	86,486,728	121,670,170	2,466,065,209
Employee Costs	(354,162,206)	(351,921,451)	(130,139,140)	(71,774,938)	(7,760,593)	(915,758,328)
Direct costs	(411,676,431)	(118,637,965)	(113,719,164)	(20,677,782)	(59,020,918)	(723,732,260)
Total profit / (loss)	806,605,032	60,258,997	(89,212,075)	(5,965,992)	54,888,659	826,574,621
Profit (loss) Margin	51%	11%	(58%)	(7%)	45%	34%
Total assets	2,558,941,535	863,835,895	251,666,032	140,745,570	198,001,911	4,013,190,943
Total liabilities	1,134,511,213	382,983,157	111,576,576	62,399,795	87,784,493	1,779,255,234

For the year ended December 31, 2019	Product suits	Business Process Outsourcing	Digital delivery Suite	Professional Services	Nationalization & upskilling	Total
Revenues	1,191,215,862	432,865,791	339,890,326	138,047,078	-	2,102,019,057
Employee Costs	(257,492,985)	(266,982,571)	(189,727,201)	(114,035,074)	-	(828,237,831)
Direct costs	(216,830,246)	(186,465,941)	(166,832,498)	(21,782,237)	(502,055)	(592,412,977)
Total profit / (loss)	716,892,631	(20,582,721)	(16,669,373)	2,229,767	(502,055)	681,368,249
Profit (loss) Margin	60%	(5%)	(5%)	2%	0%	32%
Total assets	1,593,605,651	579,086,791	454,704,442	184,679,041	-	2,812,075,925
Total liabilities	738,135,547	268,224,792	210,612,652	85,540,714	-	1,302,513,705

(Saudi Riyals)

27. SEGMENT INFORMATION (CONTINUED)

B) Information on revenue sources

	December 31, 2020	December 31, 2019
Governmental revenue	**1,461,265,505**	1,165,844,702
Trading revenue	**1,004,799,704**	936,174,355
	2,466,065,209	2,102,019,057

During the year, The group received a letter from National Information Center regarding Elm dues for developing and operating Absher platform for the period from June 2016 to December 2019 with an amount of 91 million riyals, which represents the profit margin for developing and operating the platform for that period, The group didn't have any information at that time that this profit was due. Accordingly, it was recorded during the year 2020 and after receiving the letter.

28. ZAKAT

28-1 Zakat Position

In accordance with the Royal Decree No. (35657) dated 29/6/1442H, the General Authority for Zakat and Tax collects Zakat from the companies that the Public Investment Fund fully owns, directly or indirectly provided that companies residing in the Kingdom of Saudi Arabia and the alike that are fully owned by the fund for the years ending December 31, 2020, are not subject to zakat.

28-2 Zakat Base

The Group calculates and records the zakat provision on the Zakat base in accordance with the rules and regulations of Zakat in the Kingdom of Saudi Arabia for the year ending December 31, 2020, the details of which are as follows:

	December 31, 2020
Capital at beginning of the year	**50,000,000**
Additions:	
Retained earnings, reserves and provisions - beginning of the year	**1,434,562,220**
Proposed increase in capital	**416,667,946**
Allocations and reserves	**414,586,814**
Accounts payable and other liabilities	**506,423,876**
Net adjusted profit	**465,574,278**
Total adjusted equity	**3,287,815,134**
Disposals:	
Net property (adjusted) and investments	**(731,088,013)**
Total adjusted disposals	**(731,088,013)**
Zakat base	**2,091,152,843**
Zakat base during the year	**2,627,613,658**
2.5% Zakat from the Zakat base during the year	**65,690,341**

(Saudi Riyals)

28. ZAKAT

28-3 Zakat Provision

	December 31, 2020
Balance at the beginning of the year	-
Charge during the year	**65,690,341**
Paid during the year	-
Balance at the end of the year	**65,690,341**

29. BANK FACILITIES

The Group has a number of banking facilities agreements with local banks to meet the working capital requirements and support the group's business requirements in the form of cash withdrawals and letters of guarantee amounting to SR 401 million. The group no longer uses the cash withdrawal facilities as of December 31, 2020.

30. CONTINGENT LIABILTIES

The Group has outstanding bank guarantee letters amounting to SR 66.7 million as of December 31, 2020. (December 31, 2019: SR 82.1 million). The group also has capital and operating commitments amounting to SR 439 million as of December 31, 2020.

31. RISK MANAMGMENT

A. Commission rate risk

Commission rate risk represents risk that arises from the value fluctuation of a financial instrument due to the changes in the market commission rates. In the absence of assets or liabilities related to the commissions, the Group is not subjected to commission rate risk.

B. Interest rate risk

It is exposure to various risks associated with the effect of the prevailing fluctuating interest rates on the financial position and cash flows of the group. The company's interest rate risks arise from bank deposits, short-term bank debts and long-term debts that are floating interest rates. All debts and deposits are subject to regular re-pricing and management monitors changes in interest rates. In its opinion, the fair value risks and cash flows of interest rates are not material to the group.

C. Credit risk

Credit risk represents in the risk that the group will incur a financial loss in the event that the customer or counterparty fails to financially fulfill its contractual obligations, and arises principally from the group's dues from customers.

The carrying amounts of accounts receivable and contract assets represent the maximum exposure to credit risk.

(Saudi Riyals)

31. RISK MANAMGMENT (CONTINUED)

C. Credit risk (continued)

The impairment losses for the accounts receivable and contract assets are recognized in profit or loss were as follows:

	December 31, 2020	December 31, 2019
Account receivable	8,045,681	-
Contracts assets	26,746,879	-
Employee receivable	696,775	-
	35,489,335	-

As of December 31, 2020, exposure to credit risk with respect to trade receivables and contract assets by type of customer (governmental or non-governmental) is as follows:

	Account receivable		Contract assets	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Government receivables	1,079,622,741	823,733,424	303,722,143	376,123,937
Trading receivables	475,419,043	466,888,509	25,458,701	71,484,873
	1,555,041,784	1,290,621,933	329,180,844	447,608,810

The Group distributes each exposure to the degree of credit risk based on the information that is determined based on a prediction of the risk of loss (this includes and is not limited to both external ratings, audited financial statements, management accounts, cash flow expectations and information available about the customers) and the application of the tested credit rule. Credit risk levels are determined using qualitative and quantitative factors which indicates the default risk in payment.

Loss rates are calculated using the "turnover rate" method, based on the probability that the accounts receivable and contract assets will progress through successive phases, from default to write-off. Turnover rates are calculated separately for exposures in different sectors based on the characteristics of the joint credit risk.

Loss rates are based on actual credit loss experience over the past 3 years. These rates were multiplied by numerous factors to reflect the differences between economic conditions during the period in which historical data were collected and the current conditions and the group's view of economic conditions over the expected useful lives of accounts receivable.

The following is the movement of the provision for impairment in respect of trade receivables and contract assets during the year.

(Saudi Riyals)

31. RISK MANAMGMENT (CONTINUED)

c. Credit risk (continued)

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**207,827,832**	**207,827,832**
Net resulting from acquisition (Note1)	**1,979,093**	**-**
Provision made during the year	**34,792,560**	**-**
Provision reversal during the year	**-**	**-**
	244,599,485	**207,827,832**

D. Liquidity risk

Liquidity risk represents the Group inability of meeting its obligations related to the financial liabilities once due. The Group reduces liquidity risk by ensuring that the necessary liquidity is continuously available.

E. Foreign currency risk management

Currency risk represents the risk arising from the fluctuation of a financial instrument as a result of the change in foreign exchange rates. The Group did not make any significant transactions in foreign currencies other than the US dollar, the Great British pound, and the Euro during the period. The Group was not exposed to the risk of fluctuating exchange rates during the period. The management does not expect that the Group will undergo any significant transactions in the future related to these risks.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the price that would be received from the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether this rate can be directly observed or estimated using another valuation technique. When estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if dealers in the market take those characteristics into account when pricing the asset or liability at the measurement date. Fair value is determined for measurement or disclosure purposes in these consolidated financial statements on this basis.

In addition, for financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are explained as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than the prices included in Level 1 that can be observed for the asset or liability, directly or indirectly.
- Level 3 inputs are unobservable inputs of an asset or liability

The table below shows the carrying values and fair values of the financial assets and liabilities, including their levels in the fair value hierarchy It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the book value reasonably approximates the fair value.

(Saudi Riyals)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2020						
	Book Value			Fair Value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	45,444,261	-	45,444,261	-	-	45,444,261	45,444,261
Trade Receivables	-	1,370,495,889	1,370,495,889	-	-	-	1,370,495,889
Prepaid expenses and other debit balances	-	19,184,194	19,184,194	-	-	-	19,184,194
Bank deposits	-	537,968,184	537,968,184	-	-	-	537,968,184
Cash and cash equivalents	-	1,013,318,368	1,013,318,368	-	-	-	1,013,318,368
Total	45,444,261	2,940,966,635	2,986,410,896	-	-	45,444,261	2,986,410,896
Financial liabilities							
Accounts payable	-	226,711,828	226,711,828	-	-	-	226,711,828
Due to related parties	-	24,104,741	24,104,741	-	-	-	24,104,741
Payable expenses and other liabilities	-	779,689,161	779,689,161	-	-	-	779,689,161
Real estate purchase liability	-	97,752,252	97,752,252	-	-	-	97,752,252
Lease Obligations	-	129,903,353	129,903,353	-	-	-	129,903,353
Total	-	**1,258,161,335**	**1,258,161,335**	-	-	-	**1,258,161,335**

(Saudi Riyals)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31 ,2019						
	Book Value			Fair Value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	**Total**
Financial assets							
Other financial assets	20,196,697	-	20,196,697	-	-	20,196,697	20,196,697
Trade Receivables	-	1,116,100,812	1,116,100,812	-	-	-	1,116,100,812
Prepaid expenses and other debit balances	-	31,275,516	31,275,516	-	-	-	31,275,516
Bank deposits	-	482,063,295	482,063,295	-	-	-	482,063,295
Cash and cash equivalents	-	104,827,765	104,827,765	-	-	-	104,827,765
Total	20,196,697	1,734,267,388	1,754,464,085	-	-	20,196,697	1,754,464,085
Financial liabilities							
Accounts payable	-	169,304,351	169,304,351	-	-	-	169,304,351
Due to related parties	-	2,537,750	2,537,750	-	-	-	2,537,750
Payable expenses and other liabilities	-	501,218,123	501,218,123	-	-	-	501,218,123
Real estate purchase liability	-	120,647,641	120,647,641	-	-	-	120,647,641
Lease Obligations	-	138,034,353	138,034,353	-	-	-	138,034,353
Total	-	931,742,218	931,742,218	-	-	-	931,742,218

33. EARNINGS PER SHARE

Earnings per share for the year was calculated by dividing the income from operating activities and the net income for the year by number of outstanding shares at year end.

34. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, and subsequently in March 2020 it was declared as a pandemic by the World Health Organization (WHO). The virus continued to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the group has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families, and fully activating the technical solutions to ensure the continuation of the services provided at the same level.

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia has allowed the return of all economic and commercial activities, while observing the implementation of all preventive measures adopted, and commitment to social distancing. During the fourth quarter of 2020, several vaccines which passed the testing phase effectively and began to be manufactured and distributed globally to many countries, including the Kingdom of Saudi Arabia.

As of the date of preparing these consolidated financial statements, the Group's operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on the Group's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

35. SUBSEQUENT EVENTS

On January 5, 2021, the company changed its name to Elm Company from Al Elm Information Security Company.

On February 2021, a case was filed against one of the group's subsidiaries, amounting to SR 22.5 million, against which the Group has recognised an allowance of SR 15.8 million for this case

36. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors on Shaban 10, 1442 (corresponding to March 23, 2021).