

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
INDEPENDENT AUDITOR'S REPORT

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

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KPMG Professional Services

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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company)

Qualified Opinion

We have audited the consolidated financial statements of Al Moammar Information Systems Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Qualified Opinion

As described in note 32, management has revisited its assessment of certain contracts with customers in accordance with IFRS 15 - Revenue from contracts with customers, which has resulted in a restatement of comparatives. However, in our view, this exercise was not fully concluded as management did not reassess all contracts whose revenue was recorded in prior periods. In the absence of necessary information and no practical alternative audit procedures available to us, we are unable to estimate the impact, if any. Consequently, we were unable to determine whether any adjustments to the reported amount of revenue, cost of sales, contract balances and retained earnings was necessary in the prior periods.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية متناهية مقفلة، مسجلة في المملكة العربية السعودية، رأسمالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي القوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Independent auditor's report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

Key Audit Matters (continued)

Revenue recognition

See Note 23 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's contracts with customers include contracts with multiple products and services. The Group's revenue, which includes revenue from sale of hardware, licensing of software products, maintenance and consulting, value-added and other services, amounted to SR 638.8 million for the year ended 31 December 2021 (2020: SR 674.8 million). During the year ended 31 December 2021, the management has revisited its assessment of certain contracts with customers in accordance with IFRS 15 which has resulted in a restatement of comparatives as described in note 32. As required under IFRS 15 - Revenue from Contracts with Customers, the management identifies customer contracts relating to services provided, and for each type of contract identified, the management determines the performance obligations that exist under the contract and the transaction price which represents revenue expected to be earned under the contract. The revenue is then allocated to the performance obligations under the contract using observable market rates for each stand-alone service provided. Revenue is either recognised at a point in time or over time depending on the assessment made in each case against the requirements of IFRS 15. Due to the variety of complex contractual arrangements with the customers and vendors, risk of management override and involvement of management's judgment in certain contracts regarding (1) identifying distinct performance obligations, (2) determining whether the Group is acting as a principal or an agent and (3) determination of transaction price (4) determination of the appropriate measurement and timing of recognition of different elements of revenue, revenue recognition was identified as a key audit matter. In certain arrangements, contracts with customers include subcontractor services or third-party vendor hardware, software or services, where the Group first evaluates whether it controls the products or service before it is transferred to the customer. The Group considers whether it has the primary obligation to fulfil the contract, inventory risk, pricing discretion and other factors to determine whether it controls the products or service and therefore, is acting as a principal or an agent. Refer to consolidated financial statements note 5.2 for significant accounting policy relating to revenue recognition and note 23 for revenue related disclosures.	Our audit procedures performed included, among others, the following: – Assessed the design and implementation of relevant controls in relation to revenue recognition; – Applying professional scepticism and critically assessing the accounting judgments against the requirements of IFRS 15 – Reviewed the revenue recognition policy applied by the Group to ensure compliance with IFRS 15 requirements; – Evaluated the management assessment including assumptions and judgements made and assessed the accuracy of the facts considered for restatements; – Performed analytical procedures by comparing the expectations of the revenue with the actual revenue and analysed the variance; – Obtained the schedule prepared by the management detailing impact of assessment on revenues and assessed the completeness and accuracy of the schedule; – In relation to the criteria utilised by the management to determine the appropriate level of revenue to be recognised we have, on a sample basis: • Assessed the performance obligations identified to ensure consistency with the Terms and Conditions in the underlying contract • Traced the transaction price to the underlying contract executed with customer • Assessed whether the transaction price allocated to identified performance obligations is in line with IFRS 15 • Assessed if principal (gross) or agent (net) treatment should be applied and compared this to management's conclusion to determine if this was appropriate according to the criteria set out within the standard • Assessed the timing of revenue recognition at a point in time or over period of time is as per the requirements of IFRS 15 • Engaged our internal technical team to assist in evaluating the appropriateness of significant assumptions and judgments made by the management • Assessed the adjustments made in the consolidated financial statements in respect of the restatements • Assessed the adequacy of the relevant disclosures, including those relating to restatements, in the group's consolidated financial statements.

Independent auditor's report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

Key Audit Matters (continued)

Impairment of trade receivables and contract assets

See Notes 9 and 10 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the Group gross trade receivables balance was SR 412 million (2020: SR 529 million) with impairment losses of SR 28.6 million (2020: SR 14.5 million) As at 31 December 2021, the Group gross contract assets balance was SR 581 million (2020: SR 383 million) with impairment losses of SR 13.2 million (2020: SR 8.8 million) The Group determines impairment of trade receivables and contract assets under expected credit loss model, where allowance for credit losses is computed based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to customers the Group deals with. It also considered credit risk rating and other related information for government and government - controlled entities. We identified allowance for credit losses as a key audit matter because of the significant judgement involved in calculating the expected credit losses. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimate of the expected credit losses.	Our audit procedures performed included, among others, the following: – Obtained an understanding of management's basis for the determination of allowance for credit losses for trade receivables and contract assets; – We performed procedures over 1) the methodology for the allowance for credit losses, including consideration of the current and estimated future economic conditions, 2) computation of the allowance for credit losses, and 3) completeness and accuracy of information used in the estimation of probability of default, – We evaluated the incorporation of the applicable assumptions into the estimate of expected credit losses and tested the mathematical accuracy and computation of the allowances by using the same input data used by the Group. – We evaluated the qualitative adjustment, including assessing the basis for the adjustments and the reasonableness of the significant assumptions. – Involved our specialist to review the methodology used in ECL model, including those used to calculate the likelihood of default and the subsequent loss on default, We also assessed the reasonableness of forward-looking factors used by the Group by corroborating with publicly available information. – Assessed the adequacy of the relevant disclosures in the Group's consolidated financial statements.

Independent auditor's report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report once it is made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and 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.

The Group's Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 judgment and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit 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, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 of Al Moammar Information Systems Company ("the Company").

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

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

KPMG Professional Services


Fahad Mubark Aldossari
 License No. 469

Riyadh on: 10 April 2022
 Corresponding to: 9 Ramadan 1443H



AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

		31 December 2021	31 December 2020 (Restated – Note 32)	1 January 2020 (Restated – Note 32)
	Note	SR	SR	SR
ASSETS				
Non-current assets				
Property and equipment	6	42,386,878	37,353,304	20,539,413
Intangible assets	7	6,315,141	2,089,690	2,036,721
Equity-accounted investees	8A	6,551,183	4,919,342	2,651,976
Advance for investment	8B	25,000,000	--	--
Contract assets	9	45,477,359	24,120,402	22,749,002
Trade receivables	10	--	618,345	1,976,522
Total non-current assets		125,730,561	69,101,083	49,953,634
Current assets				
Contract assets	9	522,265,988	350,958,977	429,156,638
Contract costs	9	72,075,505	110,815,191	82,825,763
Trade and other receivables	10	388,122,120	516,373,846	351,110,494
Prepayments and other assets	11	22,007,053	19,141,670	17,488,266
Cash and cash equivalents	12	21,563,199	81,408,907	29,361,283
Total current assets		1,026,033,865	1,078,698,591	909,942,444
TOTAL ASSETS		1,151,764,426	1,147,799,674	959,896,078
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	13	250,000,000	200,000,000	160,000,000
Statutory reserve	14	5,647,975	9,037,604	14,049,229
Other reserves	15	7,168,919	7,442,580	7,585,400
Retained earnings		70,842,327	107,972,949	97,682,851
Total shareholders' equity		333,659,221	324,453,133	279,317,480
Liabilities				
Non-current liabilities				
Employee benefits	17	22,575,107	20,123,942	15,915,311
Contract liabilities	18	24,495,304	33,277,882	24,677,276
Lease liabilities	19	368,055	647,565	917,453
Total non-current liabilities		47,438,466	54,049,389	41,510,040
Current liabilities				
Loans and borrowings	20	370,753,812	371,942,139	219,325,610
Trade and other payables	21	264,781,063	243,368,697	316,519,352
Other liabilities	22	4,181,537	7,136,576	3,826,114
Contract liabilities	18	123,499,301	138,535,523	91,786,524
Zakat payable	28	7,451,026	8,314,217	7,610,958
Total current liabilities		770,666,739	769,297,152	639,068,558
Total liabilities		818,105,205	823,346,541	680,578,598
Total shareholders' equity and liabilities		1,151,764,426	1,147,799,674	959,896,078


Ibrahim Abdullah Al Moammar

Vice Chairman, Board of Directors


Ziad Mortaja

Chief Executive Officer


Karthik Ramaswamy Nagar Subramanian

Chief Financial Officer

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.



AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

		2021	2020 (Restated – Note 32)
	Note	SR	SR
Revenue	23	638,823,828	674,793,096
Cost of sales	24	(472,108,683)	(501,563,514)
Gross profit		166,715,145	173,229,582
General and administration expenses	25	(60,820,520)	(55,380,278)
Selling and marketing expenses	26	(10,159,776)	(9,617,212)
Impairment loss on trade receivables and contract assets	9,10	(18,470,961)	(9,931,472)
Income from operations		77,263,888	98,300,620
Other income		3,583,405	5,385,914
Share of profit of equity-accounted investees	8	1,903,716	2,267,366
Finance costs	27	(18,911,999)	(18,443,057)
Finance income		1,041,544	1,960,388
Income before zakat		64,880,554	89,471,231
Zakat	28	(8,400,805)	(8,192,758)
Net income for the year		56,479,749	81,278,473
Other comprehensive loss			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements loss on employees' defined benefit obligations	17	(273,661)	(142,820)
Other comprehensive loss		(273,661)	(142,820)
Total comprehensive income for the year		56,206,088	81,135,653
Earnings per share:			
Basic and diluted earnings per share	29	2.26	3.25



Ibrahim Abdullah Al Moammar
Vice Chairman, Board of
Directors



Ziad Mortaja
Chief Executive Officer



**Karthik Ramaswamy Nagar
Subramanian**
Chief Financial Officer



The accompanying notes from 1 to 35 form an integral part of consolidated financial statements.

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Total shareholders' equity SR
Balance as at 1 January 2020 as previously reported	160,000,000	14,049,229	7,585,400	72,483,288	254,117,917
Restatement (Note 32)	-	-	-	-	-
1 January 2020 balance, restated	160,000,000	14,049,229	7,585,400	25,199,563	25,199,563
Net income for the year, restated	-	-	-	97,682,851	279,317,480
Other comprehensive loss for the year (note 17)	-	-	(142,820)	81,278,473	81,278,473
Total comprehensive income for the year	-	-	(142,820)	-	(142,820)
Share capital increase	40,000,000	(14,049,229)	-	81,278,473	81,135,653
Dividends	-	-	-	(25,950,771)	-
Transfer to statutory reserve (Note 14)	-	9,037,604	-	(36,000,000)	(36,000,000)
Balance as at 31 December 2020 as restated	200,000,000	9,037,604	7,442,580	107,972,949	324,453,133
At 31 December 2020	200,000,000	9,037,604	7,442,580	107,972,949	324,453,133
Net income for the year	-	-	-	56,479,749	56,479,749
Other comprehensive loss for the year	-	-	(273,661)	-	(273,661)
Total comprehensive income for the year	-	-	(273,661)	-	-
Dividends (note 16)	-	-	-	56,479,749	56,206,088
Transfer to share capital (note 13)	50,000,000	(9,037,604)	-	(47,000,000)	(47,000,000)
Transfer to statutory reserve (note 14)	-	5,647,975	-	(40,962,396)	-
Balance as at 31 December 2021	250,000,000	5,647,975	7,168,919	70,842,327	333,659,221


Ibrahim Abdullah Al Moammar
Vice Chairman, Board of Directors


Ziad Mortaja
Chief Executive Officer


Karthik Ramaswamy
Chief Financial Officer



The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

		31 December 2021	31 December 2020
	Note	SR	SR (Restated)
Operating activities			
Net income for the year		56,479,749	81,278,473
Adjustments for:			
Depreciation of property and equipment	6	3,093,987	774,308
Amortization of intangible assets	7	793,300	711,941
Share of profit of equity-accounted investee	8A	(1,903,716)	(2,267,366)
Impairment loss on trade receivables and contract assets, net	9,10	18,470,961	9,931,472
Impairment loss on contract costs	9	14,568,541	1,100,000
Employee benefits	17	6,207,422	5,072,447
Finance costs	27	18,911,999	18,443,057
Finance income		(1,041,544)	(1,960,388)
Gain on sale of property and equipment		(2,001)	(72,173)
Zakat expense	28	8,400,805	8,192,758
		<u>123,979,503</u>	<u>121,204,529</u>
Changes in working capital:			
Contract assets		(197,091,992)	75,750,055
Contract costs		24,171,145	(29,089,428)
Trade and other receivables		115,868,678	(170,800,053)
Prepayments and other assets		(2,865,383)	(1,653,404)
Trade and other payables		21,412,366	(73,150,655)
Other liabilities		(2,955,039)	3,310,462
Contract liabilities		(23,818,799)	55,349,604
Net cash (used in)/generated from operations		58,700,479	(19,078,890)
Employee benefits paid	17	(4,029,918)	(1,006,636)
Zakat paid	28	(9,263,996)	(7,489,499)
Net cash (used in)/generated from operating activities		<u>45,406,565</u>	<u>(27,575,025)</u>
Investing activities			
Acquisition of property and equipment	6	(8,127,561)	(17,588,199)
Acquisition of intangible assets	7	(5,018,751)	(764,910)
Advance for investment	8B	(25,000,000)	-
Proceeds from disposal of property and equipment		2,000	72,173
Dividend received from investee		271,875	-
Net cash used in investing activities		<u>(37,872,437)</u>	<u>(18,280,936)</u>
Financing activities			
Proceeds from loans and borrowings	20	787,537,111	915,520,221
Repayment of loans and borrowings	20	(788,725,438)	(762,903,692)
Finance costs paid		(18,881,009)	(18,402,444)
Payment of lease liabilities			
- Principle		(269,887)	(256,804)
- Interest	19	(40,613)	(53,696)
Dividends paid		(47,000,000)	(36,000,000)
Net cash (used in)/generated from financing activities		<u>(67,379,836)</u>	<u>97,903,585</u>
Net (decrease)/increase in cash and cash equivalents		(59,845,708)	52,047,624
Cash and cash equivalents at the beginning of the year		81,408,907	29,361,283
Cash and cash equivalents at the end of the year	12	<u>21,563,199</u>	<u>81,408,907</u>


Ibrahim Abdullah Al Moammar

Vice Chairman, Board of Directors


Ziad Mortaja

Chief Executive Officer


Karthik Ramaswamy

Nagar Subramanian
Chief Financial Officer

The accompanying notes from 1 to 5 form an integral part of these consolidated financial statements.



AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. CORPORATE INFORMATION

Al Moammar Information Systems Company (the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under Commercial registration number 1010063470 dated 10 Muharram 1407H (corresponding to 15 September 1986).

The registered office of the Company is located at following address:

Head Office and Central Region:

6330 Al Thumamah Rd - Al Sahafa Dist.

Unit No 1, 3296

Riyadh 13315, Kingdom of Saudi Arabia

The Company is registered in KSA with the following branches as at 31 December 2021:

<u>Commercial registration number</u>	<u>Commercial registration date</u>	<u>Location</u>
4030097824	8 Rabi Awal 1414H	Jeddah
1010432047	12 Jumad Thani 1436H	Riyadh
2051011413	17 Rabi Awal 1407H	Al Khobar
4030288661	4 Rajab 1437H	Jeddah

The Company is engaged in providing information technology solutions services which includes operating systems, system analysis, software design and programming, software maintenance, web design, setting up the primary structure for web hosting, data processing services and related activities.

During 2021, the Group incorporated a wholly owned subsidiary “Excellence Medical Systems Company” (A one person company) under Commercial registration number 1010707294 with a paid up capital of SR 1,000,000. The primary business of this wholly owned subsidiary is to engage in providing supplies and maintenance of medical devices, laboratory products, operate tele-care and telemedicine centers and canteens or cafeterias in hospitals and storage of hazardous medical waste. The subsidiary has not commenced its operations as yet.

During December 2021, the Group incorporated a wholly owned subsidiary “Excellence Application Solutions Company” (A one person company) under Commercial registration number 1010063470 with a paid up capital of SR 1,000,000. The primary business of this wholly owned subsidiary is to engage with clients to nurture bold ideas and build innovative technology solutions by offering its expertise derived from its employees with long experience in managing such businesses, technical strength in the development of technologies and digital integration. The company engages in developing leading-edge platforms and products such as buy now pay later, marketplace and open banking solution. The subsidiary has not commenced its operations as yet.

These consolidated financial statements were approved by the Board of Directors on 10 April 2022 (corresponding to 9 Ramadan 1443H).

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis using the going concern basis of assumption, except for measurement of employee benefits that are measured at present value using projected unit credit method. The carrying amount of financial assets and liabilities are a reasonable approximation of their fair values.

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2. BASIS OF PRESENTATION (CONTINUED)

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Group.

2.4 Going concern

These consolidated financial statements have been prepared on a going concern basis. In assessing the going concern assumption, the management has considered the current and expected operational levels and available facilities to meet the requirements as they fall due. There have been some delays in collections from the customers, however the risk of default is considered low, considering the significant amount of receivables are from governmental customers and continue to be received. Also, the Group continues to work with its suppliers to source equipment to meet its contractual needs.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 5.11: Classification of equity accounted investees; whether the Group has significant influence over an investee
- Note 5.8: Lease term; whether the Group is reasonably certain to exercise extension options.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 5.7, 5.9, 5.10, 6 and 7: Impairment of non-financial assets, Intangibles assets and Property and equipment
- Note 5.6 and 31: Measurement of ECL allowance for trade receivables and contract assets: Key assumptions in determining the weighted-average loss rate
- Note 5.7 and 5.9: Useful lives and residual values of property & equipment and intangible assets.
- Note 5.14 and 17: Measurement of employee benefits obligations: Key actuarial assumptions.
- Note 5.4 and 28: Provision for Zakat

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4. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND AMENDMENT TO STANDARDS

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
IFRS 3	Reference to the conceptual framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements.

5.1 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 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.1 Fair value measurement (continued)

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition

The Group generates revenue from the sale of computer hardware, software, post contract support and Cloud computing solutions. The Group also generates revenue from providing professional services to end-users to maintain the customer's IT infrastructure such as operations & maintenance and managed services.

The Group recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer based on allocated transaction price of each performance obligation.

The following are some of the key indicators used by the Group in determining when control has passed to the customer:

- (i) the Group has a right to payment for the product or service;
- (ii) the customer has legal title to the product;
- (iii) the Group has transferred physical possession of the product to the customer;
- (iv) the customer has the significant risks and rewards of ownership of the product; and
- (v) the customer has accepted the product.

Transaction price is allocated to each performance obligation with reference to the price specified in the underlying customer contract and further analyzed for other applicable aspects such as variable considerations, non-cash considerations, consideration payable to the customer, material rights including combination of contracts and adjusts the promised amount of consideration for its effects including that of significant financing component in measuring the transaction price.

For determining standalone selling price, the Company uses observable prices wherever available. When evidence from recent transactions is not available to confirm that the prices are representative of the standalone selling price, then adjusted market assessment approach, cost plus margin approach or residual value approach as prescribed in IFRS 15 will be used to estimate the standalone selling prices.

Principal versus agent

Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on a gross basis, or acting as an agent, reporting revenue on a net basis. The Group evaluates the following indicators amongst others when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

- (i) the Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- (ii) the Group has inventory risk before the specified good or service has been transferred to a customer;
- (iii) the Group has discretion in establishing the price for the specified good or service.

The Group assesses different categories of revenue in the light of the above indicators, however, before concluding on whether it is acting as a principal or an agent, the Group exercises judgement considering the nature of the product and solution offering, complexity involved in delivering the product and solution, level of control available to the Group in the process of delivering the product and solution.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

Sales of product and services in which the Group acts as a principal are presented on a gross basis.

Sales of product and services where there is no involvement of the Group for fulfilling the performance obligation is presented on a net basis. These generally includes the sale of certain third-party services, post contract support, software assurance, third-party hosted Cloud arrangements and sale of certain security software products.

Amounts collected by the group on behalf of a third party are accounted for as a payable in the statement of consolidated financial position until they are settled and do not gross up revenue and expenses. Similarly, amounts prepaid by the group to a third party on behalf of customers are recognised as a receivable until they are recovered and do not gross up revenues and expenses.

Hardware revenue

The Group sells third-party hardware that is sourced from multiple vendors and distributors. The revenue from these arrangements is primarily recognized on a gross basis as the principal in the transaction when the product is received by the client because we control the product prior to transfer to the client. In addition to other factors considered, we assume primary responsibility for fulfillment in the arrangement, we assume inventory risk if the product is returned by the client, we set the price of the product charged to the client and we work closely with our clients to determine their hardware specifications.

Third-party vendors typically provide standard warranties on most of the hardware products the Group sells. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications, unless specifically required by customer and / or provided by the vendor.

Software revenue

Revenue from sale of third-party software license where the nature of installation/integration are not considered complex is determined to be a separate performance obligation and is recorded on net basis.

Where a complex interfacing or a specialized configuration of the third-party software license is performed by the entity to enable customer to derive its intended benefit from the software within the context of the contract, it generally results in the Group acting as a principal for the integrated performance obligation of software license and the implementation services and the revenue is recorded on a gross-basis.

For sale of anti-virus software where the upgrades provided by the third-party vendors are considered integral to maintaining the utility of the underlying software to the end-user, the Group records revenue on a net basis.

Revenue from the sale of third-party software license is recorded when the customer acquires the right to use or receives a copy of software license and control transfers to the customer, but not prior to the commencement of the initial license term.

Post contract support revenue

Post contract support (PCS) provides the Group's customers with the right to obtain software upgrades, bug fixes and technical support services. The Group directly provides technical support to its customers for certain product(s) and therefore acts as a principal and records revenue on gross basis.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (continued)

Where the Group arranges to provide support services directly from the third-party vendor without the Group's involvement, the revenue is recorded on a net basis as an agent.

The Group further evaluates whether the access to upgrades is a separate performance obligation by assessing if the vendor-delivered upgrades are critical to the core functionality of the software. The criticality of upgrades is used to further assess the level of control the Group has in a transaction. Where the upgrades require the continued input of the vendor without involvement of the Group, such unspecified upgrades are treated as a separate performance obligation and the revenue is recorded on net basis as the Group is acting as an agent.

The determination of unspecified upgrades as a portion of the Post contract support (PCS) is computed as a percentage of the total PCS value based on the certain product specific information and hence the Group exercises significant judgment in this area.

Services revenue

The Group evaluates the control assessment of services rendered to customers either directly or through the involvement of third-party vendors. The Group is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources and/or vendors/sub-contractor in implementation services and in the eventual delivery of the deliverables fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract with the customer and has the direct responsibility to provide the services either directly or indirectly, the revenue is recorded on gross basis as a principal.

Certain third-party sub-contracts in which the Group does not control the services prior to transferring to our customers, revenue is recorded on net basis.

Cloud Subscription revenue

The Group evaluates whether Cloud subscription products provided to customers with right to access hosted in the technology cloud platforms without the client taking possession of the software. The Group does not take control of the software products or assume any responsibility to the clients related to the provisioning of the offerings in the cloud, accordingly, revenue is recorded on net basis and the Group shall be acting as an agent.

Systems integration services revenue

The Group sells hardware, software license, installation, post contract support and other services are bundled as a solution. Hardware, software and installation are treated as a single performance obligation as the goods or services are not distinct within the context of the contract because they are not separately identifiable from the other promises in the contract. The Group recognizes revenue relating to installed hardware and software along with installation over time using the input method.

Managed services revenue

The Group delivers Managed services contracts for its customers which generally extend for multi-years. Revenue from Managed services contracts comprises provision of manpower for maintaining the IT infrastructure of the customer and providing IT and related consumables to operate and maintain the customer's IT environment during the tenure of the contract. The Group is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources including hiring of resources and fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract with the customer and has the direct responsibility to provide the manpower services either directly or indirectly, the revenue is recorded on gross basis acting as a principal. Managed Services revenue is recognised over time, throughout the term of the contract, as services are delivered.

However, in cases where there is a need to employ third-party sub-contractors in which the Group does not control the services prior to transferring to our customers, revenue is recorded on net basis and the Group shall be acting as an agent.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity, respectively.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of subsidiary comprises the:

- the fair value of the assets transferred / acquired
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

When the Group loses control over a subsidiary, it recognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

5.4 Cost of sales and expenses

Costs which are directly related to goods or services provided are classified as costs of sales. Expenses which are attributable to selling and marketing activities are classified as selling and marketing expenses. All other indirect expenses are classified as general and administration expenses.

5.5 Zakat and Value Added Tax (VAT)

The Group is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. Zakat is provided on an accrual basis and is computed and charged based on zakat base. Adjustments if any are made to the zakat provision when the final assessments are obtained from the ZATCA.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

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

5.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments

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

Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial instruments are recognized in the statement of financial position when the Group becomes party to the contractual provisions of the financial instruments. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial instrument (unless it is a trade receivable without a significant financing component) is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified and measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-to-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit & loss.

Financial assets at amortized cost, including trade receivables, are subsequently measured at amortized cost using the effective interest rate (EIR) method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in the statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in comprehensive income and are never reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Expected credit loss (ECL) assessment for trade receivables and contract assets

The financial assets which are in the scope of impairment are bank balances, account receivables, contract assets and due from related party.

Loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For ECL on trade receivables and contract assets, the Group has divided its trade receivable and contract assets in two broad categories, private customers and government/government controlled entities ("Government customers").

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from private customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable/contract asset progressing through successive stages of delinquency to write-off.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth.

For trade receivable and contract assets from Government customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are presented on the face of the statement of profit or loss and other comprehensive income.

The Group considers a financial asset in default when contractual payments are 1,080 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Subsequent measurement

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting year. They are measured at amortized cost using the effective interest rate method.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

5.8 Property and equipment

Items of property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Capital work in progress ("CWIP") account are assets in the course of construction or development. CWIP is transferred to the appropriate category in property and equipment (depending on the nature of the asset), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction/development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing year. Land and CWIP are not depreciated.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.8 Property and equipment (continued)

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss as follows:

	<i>Estimated useful life (in years)</i>
Building	20 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Equipment	5 years

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

5.9 Leases

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

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.9 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the current portion of lease liabilities is presented in 'trade and other payables' and the non-current portion of lease liabilities is presented as a financial line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.10 Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is indication that intangible assets may be impaired. The amortization year and the amortization method are reviewed at least at the end of each reporting year. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization year or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Group estimates the useful lives of 5 years of its intangible assets.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

5.11 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

5.12 Equity-accounted investees

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Judgement is required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Equity-accounted investees (continued)

Under the equity method of accounting, the investments are initially recognized at cost, which includes transaction costs and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in OCI of the investee until the date on which significant influence ceases.

Dividends received or receivable from an associate is recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Group's share on earnings or losses of associates is shown in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'share in losses' of an associate in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI are reclassified to profit or loss where appropriate.

5.13 Dividends

The Group recognizes a liability to make dividend distribution to the shareholders of the Group when the distribution is authorized and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in Saudi Arabia, a distribution is authorized when it is approved by the shareholders. Interim dividends are recorded as and when declared and approved by the Board of Directors.

5.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.15 Employee benefits

Short-term obligations

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

Employees' defined benefit obligations

The Group's primary defined benefit plan is an end of service lump sum benefits plan.

The benefit liability recognized in the statement of financial position is the present value of the Defined Benefit Obligation ("DBO") at the reporting date. The plan is unfunded, which means the Group pays benefits as they fall due when employees leave service.

The Defined Benefit Obligation is re-measured on an annual basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in KSA to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between US and KSA.

The Group updates the assumptions from year to year based on the actual experience of the Group. The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the statement of income. Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the year in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in profit or loss.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in profit or loss.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Law as well as the Group's policy.

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5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.16 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of whose operations are continuously analysed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The Group's operating business are organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that offers different products to its respective market.

For management purpose, the Group is organised into six segments, as described below:

- Business service management unit
- Solutions unit
- Systems unit
- Information technology security unit
- Networking unit
- Operation and maintenance unit.

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group only operates in KSA and accordingly has no geographical segment. Refer note (33) for information related to each reportable segment.

5.17 Finance income and cost

The Group's finance income and finance costs includes Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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6. PROPERTY AND EQUIPMENT

	For the year ended 31 December 2021						
	Land SR	Building* SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Capital work in progress SR	Total SR
2021							
<i>Cost</i>							
As at 1-January-2021	8,122,900	21,092,510	13,004,497	1,166,787	2,598,591	3,709,516	49,694,801
Additions	-	134,694	1,667,734	158,400	547,046	5,619,687	8,127,561
Transfers from capital work in progress**	-	8,043,321	1,009,262	-	276,620	(9,329,203)	-
Disposals	-	-	-	(37,500)	-	-	(37,500)
As at 31-December-2021	8,122,900	29,270,525	15,681,493	1,287,687	3,422,257	-	57,784,862
<i>Accumulated Depreciation</i>							
As at 1-January-2021	-	537,684	10,671,720	1,130,954	1,139	-	12,341,497
Charge for the year	-	1,511,610	946,980	38,771	596,626	-	3,093,987
Disposals	-	-	-	(37,500)	-	-	(37,500)
As at 31-December-2021	-	2,049,294	11,618,700	1,132,225	597,765	-	15,397,984
<i>Net book value</i>							
As at 31-December-2021	8,122,900	27,221,231	4,062,793	155,462	2,824,492	-	42,386,878

*Property and equipment includes right-of-use assets at net book value of SR 690,725 (2020: SR 959,566) related to leased office premises that do not meet the definition of investment property (Note 19).

** This represents capital expenditure on the new head office building.

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6. PROPERTY AND EQUIPMENT (CONTINUED)

	For the year ended 31 December 2020					
	Land SR	Building* SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Capital work in progress SR
2020						
Cost						
As at 1-January-2020	8,122,900	1,497,250	11,589,294	1,166,787	1,831,866	9,730,371
Additions	-	-	680,538	-	8,434	16,899,227
Transfer from capital work in progress**	-	19,595,260	734,665	-	2,590,157	(22,920,082)
Disposals	-	-	-	-	(1,831,866)	-
As at 31-December-2020	8,122,900	21,092,510	13,004,497	1,166,787	2,598,591	3,709,516
						49,694,801
<i>Accumulated Depreciation</i>						
As at 1-January-2020	-	268,842	10,219,098	1,111,554	1,799,561	-
Charge for the year	-	268,842	452,622	19,400	33,444	-
Disposals	-	-	-	-	(1,831,866)	-
As at 31-December-2020	-	537,684	10,671,720	1,130,954	1,139	-
Net book value						
As at 31-December-2020	8,122,900	20,554,826	2,332,777	35,833	2,597,452	3,709,516
						37,353,304

*Property and equipment includes right-of-use assets at net book value of **SR 959,566** (2019: 1,228,408) related to leased office premises that do not meet the definition of investment property (Note 19).

** This represents the new head office building which became available for use during December 2020.

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7. INTANGIBLE ASSETS

For the year ended 31 December 2021				
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2021	2,438,341	4,532,387	3,085,065	10,055,793
Additions	859,194	-	4,159,557	5,018,751
As at 31 December 2021	3,297,535	4,532,387	7,244,622	15,074,544
<i>Amortization</i>				
As at 1 January 2021	1,329,450	4,532,387	2,104,266	7,966,103
Charge for the year	368,863	-	424,437	793,300
As at 31 December 2021	1,698,313	4,532,387	2,528,703	8,759,403
<i>Net book value</i>				
As at 31 December 2021	1,599,222	-	4,715,919	6,315,141
For the year ended 31 December 2020				
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2020	2,438,341	4,532,387	2,320,155	9,290,883
Additions	-	-	764,910	764,910
As at 31 December 2020	2,438,341	4,532,387	3,085,065	10,055,793
<i>Amortization</i>				
As at 1 January 2020	1,329,450	4,532,387	1,392,325	7,254,162
Charge for the year	-	-	711,941	711,941
As at 31 December 2020	1,329,450	4,532,387	2,104,266	7,966,103
<i>Net book value</i>				
As at 31 December 2020	1,108,891	-	980,799	2,089,690

8. INVESTMENTS

8A. EQUITY-ACCOUNTED INVESTEEES

<i><u>Name of associates</u></i>	<i><u>Principal activities</u></i>	<i><u>Place of incorporation and principal place of business</u></i>	<i><u>% age holding*</u></i>
Edarat Group SAL	Technology based solutions	Lebanon	50%
Edarat Telecommunication and Information Technology Company	Development, installation and maintenance of computer hardware and software	Kingdom of Saudi Arabia	50%
Phoenicia Tech Worldwide Inc. – BVI	Technology based solutions	British Virgin Island	50%

*The Group has significant influence, but does not have control or joint control, over the financial and operating policies of these equity accounted investees.

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8. INVESTMENTS (CONTINUED)

8A. EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

The movement in investment in associates was as follows:

	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication & Information Technology</i>	<i>Phoenicia Tech Worldwide</i>	<i>Total SR</i>
At 1 January 2020	185,682	2,193,609	272,685	2,651,976
Share (loss)/profit	(6,517)	2,274,577	(694)	2,267,366
At 31 December 2020	179,165	4,468,186	271,991	4,919,342
Share of (loss)/profit	(84,131)	1,986,906	941	1,903,716
Dividend received	-	-	(271,875)	(271,875)
At 31 December 2021	95,034	6,455,092	1,057	6,551,183

The following table summarises aggregated financial information of Group's associates. The information disclosed reflects the amounts presented in the consolidated financial statements of the associates as of 31 December 2021 and 2020.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Current assets	23,995,031	25,965,294
Non-current assets	2,799,241	3,378,094
Current liabilities	(11,051,066)	(19,159,170)
Non-current liabilities	(2,640,836)	(2,330,603)
Revenue	43,961,598	42,275,585
Cost of sales	(29,063,662)	(29,806,702)
Gross profit	14,897,937	12,468,883
General and administration expenses	(8,058,522)	(8,712,742)
Finance costs	(78,983)	(148,425)
Other income	576,826	1,013,486
Zakat/tax and other expenses	(1,024,392)	(86,471)
	6,312,867	4,534,731

8B. ADVANCE FOR INVESTMENT

During 2021, the Company has signed a subscription agreement to acquire 1.58% shareholding in a digital bank and has paid an advance for investment amounting to SR 25,000,000. As at 31 December 2021, the necessary legal formalities for incorporation of legal entity and regulatory approvals are not completed.

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9A. CONTRACT ASSETS

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>	<i>1 January 2020 SR</i>
		<i>(Restated)</i>	<i>(Restated)</i>
Unbilled receivables*	580,968,599	383,876,607	459,626,662
Less: Impairment loss on contract assets	(13,225,252)	(8,797,228)	(7,721,022)
	567,743,347	375,079,379	451,905,640
Classification of contract assets and contract costs			
Unbilled receivables, non-current	45,477,359	24,120,402	22,749,002
Unbilled receivables, current	522,265,988	350,958,977	429,156,638
	567,743,347	375,079,379	451,905,640

* Unbilled receivables primarily relate to the Group's right to consideration for goods and services delivered but not billed at the reporting date. The same is transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual terms of invoicing are primarily on a milestone basis.

The movement for allowance for expected credit losses on contract assets was as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
		<i>(Restated)</i>
Opening balance	8,797,228	7,721,022
Charged during the year	4,428,024	1,076,206
Closing Balance	13,225,252	8,797,228

9B. CONTRACT COSTS

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
		<i>(Restated)</i>
Contract costs (refer notes a and b)	87,744,046	111,915,191
Less: Impairment loss on contract costs*	(15,668,541)	(1,100,000)
	72,075,505	110,815,191

a) It includes incurred costs in respect of long-term IT support contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered. They were therefore recognised as an asset from costs to fulfil contracts. The asset is amortised on a straight-line basis over the term where the group is principal in the performance obligation, and

b) It includes amounts prepaid by the group to a third party on behalf of customers and will be adjusted against the recoveries from the customer in the due course. These balances do not gross up expenses as these payments relates to the transaction where group acts as an agent.

Contract costs were previously disclosed as deferred cost within the consolidated financial statements for the year ended 31 December 2019.

*Represents the amount doubtful of recovery and accordingly recognised as an expense in direct costs.

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10. TRADE AND OTHER RECEIVABLES

	31 December 2021 SR	31 December 2020 SR	1 January 2020 SR
		<i>(Restated)</i>	<i>(Restated)</i>
Trade receivables - external*	407,386,122	523,913,562	351,981,494
Less: Impairment loss on trade receivables	(28,580,375)	(14,537,438)	(5,682,172)
	378,805,747	509,376,124	346,299,322
Trade receivables - related parties (note 30)	4,982,701	5,552,217	4,816,897
Other receivables - vendor rebates	4,333,672	2,063,850	1,970,797
	388,122,120	516,992,191	353,087,016
Classification of trade receivable			
	31 December 2021 SR	31 December 2020 SR	1 January 2020 SR
		<i>(Restated)</i>	<i>(Restated)</i>
Trade receivables - non-current	-	618,345	1,976,522
Trade receivables and other assets – current	388,122,120	516,373,846	351,110,494
	388,122,120	516,992,191	353,087,016

*Trade receivables includes SR 326,689,764 (31 December 2020: 458,736,590) due from government or government - controlled entities. In certain other cases, the Group obtains collateral over receivables.

The movement for allowance for impairment loss on trade receivables was as follows:

	31 December 2021 SR	31 December 2020 SR
		<i>(Restated)</i>
Opening balance	14,537,438	5,682,172
Charged during the year	14,042,937	8,855,266
Closing balance	28,580,375	14,537,438

Below is the ageing of gross trade receivables (including due from related party)

	Total SR	Not yet due SR	0-1 year SR	1-2 year SR	2- 3 years SR	Above 3 years SR
31 Dec 2021	412,368,823	28,554,911	256,581,550	63,890,204	36,205,357	27,136,801
31 Dec 2020	529,465,779	23,627,897	422,337,707	49,222,195	6,533,983	27,743,997
31 Dec 2019	353,636,532	37,611,805	263,639,719	20,992,482	19,883,554	14,670,831

11. PREPAYMENTS AND OTHER ASSETS

	31 December 2021 SR	31 December 2020 SR
Margin on letters of credit and guarantee	13,038,113	14,761,744
Prepaid expenses	4,392,171	2,698,090
Advances to employees	1,101,244	650,623
Advances to supplier	3,906,974	1,825,366
Prepayment Other	362,704	-
	22,801,206	19,935,823
Provision on advances to supplier	(794,153)	(794,153)
	22,007,053	19,141,670

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12. CASH AND CASH EQUIVALENTS

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Cash at bank - current accounts	20,007,063	40,944,272
Cash at bank – deposits*	1,289,465	40,254,745
Cash in hand	266,671	209,890
	21,563,199	81,408,907

*The average rate on bank deposits is 1% with an original maturity of 7 days.

13. SHARE CAPITAL

Capital of SAR 250,000,000 is divided into 25,000,000 shares (31 December 2020: 20,000,000 shares) of SR 10 each. The Board of Directors in their meeting held on 20 Jumada Al-Awwal 1442H (Corresponding to 4 January 2021) resolved to increase the Company's share capital to SR 250,000,000 through issuance of one (1) bonus share for every four (4) shares by transferring SR 40,962,396 and SR 9,037,604 from retained earnings and statutory reserve, respectively to share capital. The legal formalities required to enforce the increase of the share capital were completed during 2021.

14. STATUTORY RESERVE

In accordance with the Company regulations of KSA and the Company's By-Laws, the Group must transfer 10% of its net income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. During the year, the Company has transferred 10% of its income during the year in statutory reserve. Further the Company has utilized the statutory reserve of SR 9,037,604 (31 December 2020 SAR. 14,049,229) to issue the bonus shares.

15. OTHER RESERVES

The nature of other reserves related to remeasurement gain or losses on employees' defined benefit obligations, the amount recorded during the year amounting to SR 273,661 (2020: SR 142,820) and balance as at 31 December 2021 is SR 7,168,919(2020: SR 7,442,580).

16. DIVIDENDS

The Board of Directors in their meeting held on 20 Jumada I 1442H (Corresponding to 4 January 2021) resolved to distribute cash dividends amounting to SR 1.10 per share aggregating to SR 22,000,000 and was paid on 20 January 2021. The dividends were approved by the General Assembly on 14 Shawwal 1442H (corresponding to 26 May 2021). On 27 Dhu'l-Qi'dah 1442H (corresponding to 7 July 2021), the Board of Directors of the Group has resolved to distribute cash dividends amounting to SR 1 per share aggregating to SR 25,000,000 and was paid on 15 September 2021.

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17. EMPLOYEE BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor Law. These benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and statement of other comprehensive income and amounts recognized in the statement of financial position.

At 31 December 2021, the weighted average duration of the defined benefit obligation was 7 years (2020: 7 years).

The following table represents the movement in the defined benefit obligations for the year:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Balance at 1 January	20,123,942	15,915,311
<i>Included in profit or loss</i>		
Current service cost	5,885,662	4,625,891
Interest cost	321,760	446,556
	6,207,422	5,072,447
<i>Included in OCI</i>		
Re-measurements:		
Change in demographic assumption	-	-
Change in financial assumption	(636,138)	373,598
Experience loss/(gain)	909,799	(230,778)
	273,661	142,820
<i>Other</i>		
Benefit paid	(4,029,918)	(1,006,636)
Balance at 31 December	22,575,107	20,123,942

Significant actuarial assumptions

The significant actuarial assumptions used in the computation is shown below:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Discount rate	2.00%	1.60%
Salary growth rate		
Full time employees	4%	4%
Contractual employees	0%	0%
Withdrawal rate	5% to 25%	5% to 25%
Retirement age	55 to 60 years	55 to 60 years

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

		<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Discount rate	1% increase	(1,451,623)	(1,347,166)
	1% decrease	1,664,146	1,548,277
Salary growth rate	1% increase	1,617,886	1,497,335
	1% decrease	(1,442,890)	(1,332,741)
Withdrawal rate	1% increase	(776,716)	(711,296)
	1% decrease	906,727	838,935

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18. CONTRACT LIABILITIES

The contract liabilities relate to advance consideration billed/received, for which revenue is recognized on satisfaction of performance obligations which is generally over one to four years.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>	<i>31 December 2020 SR</i>
		(Restated)	(Restated)
Contract liabilities- non-current	24,495,304	33,277,882	24,677,276
Contract liabilities- current	123,499,301	138,535,523	91,786,524
	147,994,605	171,813,405	116,463,800

The amount of SR 81,810,991 included in contract liabilities at 31 December 2020 has been recognised as revenue in 2021 (2020: 82,012,695).

19. LEASE LIABILITIES

The Group leases certain office premises, which typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Information about leases for which the Group is a lessee is presented below.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
As at 1 January 2020	917,453	1,174,257
Interest expense	40,613	53,696
Payments	(310,500)	(310,500)
	647,566	917,453

Lease liabilities as at year end are as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Lease liability– non-current portion	368,055	647,565
Lease liability –current-portion* (note 21)	279,511	269,888
	647,566	917,453

* current portion of lease liabilities is included under trade and other payables.

Right-of-use assets

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
At 1 January 2021	959,566	1,228,408
Depreciation charge for the year	(268,841)	(268,842)
	690,725	959,566

Amounts recognised in profit or loss:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Depreciation	268,841	(restated) 268,842
Interest expense on lease liabilities	40,613	53,696
	309,454	322,538

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20. LOANS AND BORROWINGS

The Group has obtained loans from various local commercial banks and other financial institutions to meet the working capital requirements. These loans are subject to certain financial covenants and are secured by promissory notes and assignment of certain contract proceeds and carry commission charges at prevailing market commission rates. Certain covenants breaches are noted as at 31 December 2021, during the year end the respective banks have issued the waivers on default of Covenants.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Murabaha facilities	348,361,798	312,409,293
Conventional facilities	22,392,014	59,532,846
	<u>370,753,812</u>	<u>371,942,139</u>

Movements in loans and borrowings are shown below:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Opening balance	371,942,139	219,325,610
Additions during the year	787,537,111	915,520,221
Repayment made during the year	(788,725,438)	(762,903,692)
Closing balance	<u>370,753,812</u>	<u>371,942,139</u>

21. TRADE AND OTHER PAYABLES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Trade payables	225,961,118	(restated) 212,013,646
Amounts due to related parties (note 30)	16,113,766	22,542,670
Accrued salaries and other employee costs	9,590,945	5,865,047
Accrued expenses	12,364,151	2,248,474
Other payables	471,572	428,972
Lease liabilities, current	279,511	269,888
	<u>264,781,063</u>	<u>243,368,697</u>

22. OTHER LIABILITIES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Value added tax, net	2,909,096	5,171,749
Withholding tax payable	1,272,441	1,964,827
	<u>4,181,537</u>	<u>7,136,576</u>

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23. REVENUE

The Group revenue is derived from contracts with customers:

Disaggregation of revenue

Set out below is the disaggregation of Group's revenue from contracts by type of goods or services, timing of revenue recognition, type of customers and types of principals or agent:

Timing of revenue recognition

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR (Restated)</i>
Product transferred at a point in time	302,165,078	369,402,093
Services transferred overtime	336,658,750	305,391,003
	<u>638,823,828</u>	<u>674,793,096</u>

Type of customers

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR (Restated)</i>
Government & government - controlled entities	459,537,485	560,439,557
Private	179,286,343	114,353,539
	<u>638,823,828</u>	<u>674,793,096</u>

Product or service

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR (Restated)</i>
Equipment and hardware	201,846,791	266,854,636
Software licenses	100,318,287	102,547,457
Maintenance services	336,658,750	305,391,003
	<u>638,823,828</u>	<u>674,793,096</u>

Revenue, type principal or agent

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR (Restated)</i>
Revenue derives from principal	554,208,334	631,911,338
Revenue derives from agent	84,615,494	42,881,758
	<u>638,823,828</u>	<u>674,793,096</u>

24. COST OF SALES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR (Restated)</i>
Equipment and software cost	209,453,050	285,743,628
Service and support cost	151,755,039	136,828,626
Manpower cost	110,900,594	78,991,260
	<u>472,108,683</u>	<u>501,563,514</u>

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25. GENERAL AND ADMINISTRATION EXPENSES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Employees' costs	49,209,486	45,084,086
Office supplies	1,055,634	1,745,284
Professional fees	2,725,422	1,663,071
Short term lease	-	1,142,987
Travel expenses	1,066,108	963,027
Depreciation on property and equipment (note 6)	3,093,987	774,308
Amortization on intangible assets (note 7)	793,300	711,941
Postage and communication	931,978	470,021
Others	1,944,605	2,825,553
	<u>60,820,520</u>	<u>55,380,278</u>

26. SELLING AND MARKETING EXPENSES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Employees' cost	8,466,737	8,033,208
Advertising and sales promotion	1,693,039	1,584,004
	<u>10,159,776</u>	<u>9,617,212</u>

27. FINANCE COSTS

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Finance costs on short-term loans	14,487,466	15,707,330
Finance costs on letters of credit and guarantee	2,957,497	1,702,807
Bank charges	954,837	666,894
Others	512,199	366,026
	<u>18,911,999</u>	<u>18,443,057</u>

28. ZAKAT

The Zakat charge of the year consist of current year provision amounting to SR 8,400,805 (2020:SR 8,192,758) and is based on the following:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Shareholders' equity, beginning	280,287,638	218,118,917
Opening provisions and other adjustments	38,590,898	29,227,481
Book value of long-term assets	(55,253,202)	(41,636,604)
Zakat base	263,625,334	205,709,794
Zakat prior to net adjusted profit	6,796,261	5,424,118
Income for the year	64,181,756	81,575,013
Zakat on adjusted net profit	1,604,544	2,768,640
	<u>8,400,805</u>	<u>8,192,758</u>

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28. ZAKAT (CONTINUED)

Movements in zakat provision during the year

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Balance at 1 January	8,314,217	7,610,958
Charged for the year	8,400,805	8,192,758
Paid during the year	<u>(9,263,996)</u>	<u>(7,489,499)</u>
	<u>7,451,026</u>	<u>8,314,217</u>

The Company has finalized its Zakat and withholding tax assessment with the ZATCA up to year 2016 and obtained the final Zakat and withholding tax certificate. The Company has filed the Zakat returns for the years 2017 to 2020 and withholding tax returns for the years 2017 to 2020, which are under review by ZATCA. During the current year, ZATCA has completed the assessment for the years 2019 and 2020 and has received a demand of SR 1.2 million. The company has accepted the additional charge and paid the amount in full.

29. EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of outstanding shares during the year. Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all diluted potential ordinary shares.

There has been no item of dilution affecting the weighted average number of ordinary shares.

	<i>2021 SR</i>	<i>2020 SR</i>
Net income for the year	56,479,749	81,278,473
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	25,000,000	25,000,000
Basic and diluted earnings per share of net income for the year	2.26	3.25

The weighted average number of ordinary shares used as a denominator in calculating basic and diluted EPS for 31 December 2020 has been adjusted on account of the bonus share issue.

30. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31 December 2021, the Group transacted with its related parties. The terms of those transactions are approved by management/Board of Directors in the ordinary course of business. The transactions during the year are as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Transaction with shareholders		
Dividends paid	47,000,000	36,000,000
Transaction with Associate		
Edarat telecommunication and information technology company		
Revenue	2,649,742	2,622,529
Purchases	4,526,571	2,582,558
Transactions with entities having common shareholders		
Purchases		
ESRI saudi arabia limited company	10,078,849	17,066,704
Emaar executives for information technology	22,800,372	14,160,812
Electronic maps trading company	2,920,574	1,312,946
Revenue		
Emaar executives for information technology	1,276,533	-

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30. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The remuneration of key management personnel for the year are as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Salaries and short-term benefits	9,792,915	10,855,316
Employee benefits	340,685	398,685
	<u>10,133,600</u>	<u>11,254,001</u>

The following balances were outstanding with related parties at the reporting date:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Due from related parties: (note 10)		
Electronic maps trading company	4,316,897	4,816,897
Edarat telecommunication and information technology company	665,804	735,320
	<u>4,982,701</u>	<u>5,552,217</u>
Due to related parties: (note 21)		
ESRI Saudi Arabia Limited company	8,375,207	16,108,788
Emaar executives for information technology	5,444,530	6,291,851
Electronic maps trading company	2,294,029	142,031
	<u>16,113,766</u>	<u>22,542,670</u>

31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a. Accounting classification and fair values

The following table shows fair values which is equal to the carrying value of the financial assets and financial liabilities.

		<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<u>Carrying value</u>			
<u>Financial assets not measured at fair value</u>			
Trade receivables, net	10	378,805,747	509,376,124
Amounts due from related parties	30	4,982,701	5,552,217
Margin on letters of credit and guarantee	11	13,038,113	14,761,744
Cash and cash equivalents	12	21,563,199	81,408,907
		<u>418,389,760</u>	<u>611,098,992</u>
<u>Financial liabilities not measured at fair value</u>			
Loans and borrowings	20	370,753,812	371,942,139
Amount due to related parties	30	16,113,766	22,542,670
Trade payables	21	225,961,118	212,013,646
Lease liabilities	19	647,566	917,453
		<u>613,476,262</u>	<u>607,415,908</u>

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b. Financial risk and capital management

The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
 - Interest rate risk
 - Currency risk

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Audit Committee is assisted in its oversight role by Internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

i) Credit risk

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from Group's trade receivables, contract assets and balances with banks.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Below areas with maximum exposure to credit risk for the components of the statement of financial position.

Credit risk related to time deposit and cash deposit

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from governments and private customers.

Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- governments and private.

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b. Financial risk and capital management (continued)

Trade receivables and contract assets

Trade receivables and contract assets consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables and contract assets.

Amounts due from related parties

An impairment analysis is performed at each reporting date on an individual basis for all related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 30). The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as minimal.

ECL assessment for trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortized cost and contract assets.

The key inputs into the measurement of ECL are the following variables:

- Probability of default (PD) using statistical model
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

Trade receivables

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for trade receivables for private customers.

	As at 31 December 2021			As at 31 December 2020		
	Weighted average loss rate	Gross carrying amount	Impairment allowance	Weighted average loss rate	Gross carrying amount	Impairment allowance
Current not due	5%	28,554,913	1,404,399	2%	28,654,324	660,080
0-1 year past due	13%	39,386,357	5,002,151	5%	26,791,210	1,345,284
1-2 year past due	42%	7,173,061	2,988,753	26%	6,324,497	1,625,325
2-3 year past due	100%	5,913,777	5,913,777	67%	378,673	253,595
Credit impaired	100%	4,650,952	4,650,952	100%	8,054,695	8,054,786
		<u>85,679,060</u>	<u>19,960,032</u>		<u>70,203,399</u>	<u>11,939,070</u>

Trade receivables from government and government - controlled entities is SR 326,689,764 (2020: 459,262,380) and allowance for credit loss is calculated using general approach SR 356,247 (2020: SR 436,939).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
31 December 2021					
Grades 1-6: Low risk	A1	0.11%	326,689,763	356,247	8,264,096
31 December 2020					
Grades 1-6: Low risk	A1	0.10%	459,262,380	436,939	2,161,429

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b. Financial risk and capital management (continued)

Contract assets

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for contract assets for private customers as at 31 December 2021.

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
31 December 2021	5%	227,598,153	10,689,162	724,366
31 December 2020	1.4%	127,735,858	3,818,152	835,819

Contract assets from government and government - controlled entities is SR 353,370,446 (2020: 256,140,749) and allowance for credit loss is calculated using general approach SR 363,340 (2020: SR 234,350).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
31 December 2021					
Grades 1-6: Low risk	A1	0.10%	353,370,446	363,340	1,448,384
31 December 2020					
Grades 1-6: Low risk	A1	0.10%	256,140,749	234,350	3,908,907

ii) Market risk

Market risk is the risk that changes in market prices, such as currency rates and commission rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing assets, but has commission bearing liabilities at 31 December 2021 and 31 December 2020. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Sensitivity analysis for variable rate financial instruments

The following table demonstrates the sensitivity of the Group to a reasonably possible change, with all other variables held constant, of the Group income before Zakat (through the impact on floating rate borrowings) for the year ended 31 December:

	31 December 2021 SR	31 December 2020 SR
Floating rate		
Increase by 50 base points	524,610	758,199
Decrease by 50 base points	(524,610)	(758,199)

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b. Financial risk and capital management (continued)

The sensitivity analysis has been determined based on the exposure to commission rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting commission rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in commission rates.

i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management believes that the Group is not exposed to significant risks in relation to liquidity and maintains different lines of credit. Upon careful comparison of the financial liabilities included within the current liabilities with the financial assets forming part of the current assets, there seems to be a reasonably hedging position between the two categories.

Exposure to liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As on 31 December 2021	Carrying amount	Total	Within 3 months	4 to 6 months	Over 6 months
Loans and borrowings	370,753,812	370,753,812	41,078,811	251,175,676	78,499,325
Trade and other payables*	264,501,552	264,501,552	198,757,599	44,142,074	21,601,879
Other liability	4,181,537	4,181,537	4,181,537	-	-
Lease liabilities	647,566	688,500	87,500	67,500	533,500
	640,084,467	640,125,401	244,105,447	295,385,250	100,634,704

* excluding lease liability as disclosed separately

Exposure to liquidity risk

As on 31 December 2020	Carrying amount	Total	Within 3 months	4 to 6 months	Over 6 months
Loans and borrowings	371,942,139	371,942,139	215,393,647	93,740,203	62,808,289
Trade and other payables*	243,098,809	243,098,809	204,247,684	38,851,125	-
Other liability	7,136,576	7,136,576	7,136,576	-	-
Lease liabilities	917,453	1,174,500	-	155,250	1,019,250
	623,094,977	623,352,024	426,777,907	132,746,578	63,827,539

* excluding lease liability as disclosed separately

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

c. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 23%; in 2021 the return was 25% (2020: 29%). The weighted-average interest expense on interest-bearing borrowings was 4.2% (2020: 3.7%).

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group includes within net debt: short-term loans, trade and other liabilities less cash and cash equivalents.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Loans and borrowings	370,753,812	371,942,139
Trade and other payables	264,781,063	243,368,697
Less: Cash and cash equivalents	(21,563,199)	(81,408,907)
Net Debt	613,971,676	533,901,929
Shareholders' equity	333,659,221	324,453,133
Shareholders' equity and net debt	947,630,897	858,355,062
Gearing ratio	54%	61%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. The Group did not comply with certain loan covenants during the year. However, the Group was able to obtain a waiver letter from the respective banks in this regard. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

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32. RESTATEMENT OF PRIOR PERIODS

During Q4 2021, the Group has revisited its assessment of certain contracts with customers in accordance with IFRS 15 - Revenue from contracts with customers.

Previously management has considered that the Group is acting as a principal in contract with customers and presented revenue on gross basis along with the related cost of sales. However, as part of the reassessment exercise, the management has revisited some critical management judgements and/or assumptions which were earlier taken into consideration and concluded as follows:

- 1) In respect of certain software license sales, where the installation is not complex and integrated, and/or the Group do not control the license before delivery to the end-consumer, the Group is acting as an agent and revenue should have been recorded on a net basis
- 2) In respect of Post Contract Support (PCS),
 - a. Where the PCS is provided directly by the third-party vendor without any involvement of the Group in the provision of services the Group is acting as an agent and revenue should have been recorded on a net basis.
 - b. Where the PCS includes the unspecified upgrades provided by third party vendors, the Group is required to segregate the unspecified upgrades from the other component in PCS as it represents a separate performance obligation. The Group is acting as an agent in the provision of the third-party provided unspecified upgrades and the revenue should have been recorded on net basis.
- 3) In respect of certain security software license, where the third-party vendor provided upgrades are critical to the functionality of the underlying software, the Group is acting as an agent and revenue should have been recorded on net basis
- 4) In respect of certain end to end projects including those for specific types of cloud computing solutions, where the vendor or a subcontractor controlled by the vendor has the primary responsibility for delivery to the end customer the Group is acting as an agent and revenue for each of the respective performance obligations should have been recorded on net basis.

As the above re-assessment exercise was carried during Q4 2021 and had an impact on the reported amounts during the earlier quarters. Accordingly, the impact of the above conclusions was incorporated in presenting the financial information for current period.

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarize the impacts on the Group's consolidated financial statements.

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32. RESTATEMENT OF PRIOR PERIODS (CONTINUED)

Restatement of year 2020 financials:

Impact of the above adjustments in statement of financial position as at 31 December 2020:

	31 December 2020 Previously Reported SR	Adjustments SR	31 December 2020 Restated SR
ASSETS			
Non-current assets			
Property and equipment	37,353,304	-	37,353,304
Intangible assets	2,089,690	-	2,089,690
Equity-accounted investees	4,919,342	-	4,919,342
Contract assets	24,120,402	-	24,120,402
Trade receivables	618,345	-	618,345
Total non-current assets	69,101,083	-	69,101,083
Current assets			
Contract assets	336,072,012	14,886,965	350,958,977
Contract costs	110,815,191	-	110,815,191
Trade and other receivables	516,373,846	-	516,373,846
Prepayments and other assets	19,141,670	-	19,141,670
Cash and cash equivalents	81,408,907	-	81,408,907
Total current assets	1,063,811,626	14,886,965	1,078,698,591
TOTAL ASSETS	1,132,912,709	14,886,965	1,147,799,674
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	200,000,000	-	200,000,000
Statutory reserve	9,037,604	-	9,037,604
Other reserves	7,442,580	-	7,442,580
Retained earnings	91,870,956	16,101,993	107,972,949
Total shareholders' equity	308,351,140	16,101,993	324,453,133
Liabilities			
Non-current liabilities			
Employee benefits	20,123,942	-	20,123,942
Contract liabilities, non-current portion	33,277,882	-	33,277,882
Lease liabilities	647,565	-	647,565
Total non-current liabilities	54,049,389	-	54,049,389
Current liabilities			
Short-term loans	371,942,139	-	371,942,139
Trade and other payables	243,368,697	-	243,368,697
Other liabilities	7,136,576	-	7,136,576
Contract liabilities	139,750,551	(1,215,028)	138,535,523
Zakat payable	8,314,217	-	8,314,217
Total current liabilities	770,512,180	(1,215,028)	769,297,152
Total liabilities	824,561,569	(1,215,028)	823,346,541
Total shareholders' equity and liabilities	1,132,912,709	14,886,965	1,147,799,674

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32. RESTATEMENT OF PRIOR PERIODS (CONTINUED)

Impact of the above adjustments in statement of profit or loss and other comprehensive income for the year ended 31 December 2020:

	31 December 2020		31 December 2020
	<i>Previously Reported</i>	Adjustments	<i>Restated</i>
Revenue	1,016,665,970	(341,872,874)	674,793,096
Cost of sales	(836,338,818)	334,775,304	(501,563,514)
Gross profit	180,327,152	(7,097,570)	173,229,582
General and administration expenses	(55,380,278)		(55,380,278)
Selling and marketing expenses	(9,617,212)		(9,617,212)
Impairment loss on trade receivables & contract assets	(7,931,472)	(2,000,000)	(9,931,472)
Income from operations	107,398,190	(9,097,570)	98,300,620
Other income	5,385,914		5,385,914
Share of profit of equity-accounted investees	2,267,366		2,267,366
Finance costs	(18,443,057)		(18,443,057)
Finance income	1,960,388		1,960,388
Income before zakat	98,568,801	(9,097,570)	89,471,231
Zakat	(8,192,758)		(8,192,758)
Net income for the year	90,376,043	(9,097,570)	81,278,473
Other comprehensive loss			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements loss on employees' defined benefit obligations	(142,820)		(142,820)
Other comprehensive loss	(142,820)		(142,820)
Total comprehensive income for the year	90,233,223	(9,097,570)	81,135,653

Impact of the above adjustments in statement of cash flows as of 31 December 2020:

	31 December 2020		31 December 2020
	<i>Previously Reported</i>	Adjustments	<i>Restated</i>
Net cash flows from operating activities	(29,535,411)	(1,960,386)	(27,575,025)
Net cash used in investing activities	(18,280,936)	-	(18,280,936)
Net cash used in financing activities	99,863,971	1,960,386	97,903,585
Net decrease in cash and cash equivalents	52,047,624	-	52,047,624

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32. RESTATEMENT OF PRIOR PERIODS (CONTINUED)

Impact of the above adjustments in statement of financial position as at 1 January 2020:

	31 December 2019 <i>Previously Reported</i> SR	Adjustments/ Reclassification SR	1 January 2020 <i>Restated</i> SR
ASSETS			
Non-current assets			
Property and equipment	20,539,413	-	20,539,413
Intangible assets	2,036,721	-	2,036,721
Equity-accounted investees	2,651,976	-	2,651,976
Contract assets	-	22,749,002	22,749,002
Trade receivables	1,976,522	-	1,976,522
Total non-current assets	27,204,632	22,749,002	49,953,634
Current assets			
Contract assets	427,921,105	1,235,533	429,156,638
Contract costs	82,825,763	-	82,825,763
Trade and other receivables	368,598,760	(17,488,266)	351,110,494
Prepayments and other assets		17,488,266	17,488,266
Cash and cash equivalents	29,361,283	-	29,361,283
Total current assets	908,706,911	1,235,533	909,942,444
TOTAL ASSETS	935,911,543	23,984,535	959,896,078
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	160,000,000	-	160,000,000
Statutory reserve	14,049,229	-	14,049,229
Other reserves	7,585,400	-	7,585,400
Retained earnings	72,483,288	25,199,563	97,682,851
Total shareholders' equity	254,117,917	25,199,563	279,317,480
Liabilities			
Non-current liabilities			
Employee benefits	15,915,311	-	15,915,311
Contract liabilities, non-current portion	24,677,276	-	24,677,276
Lease liabilities	917,453	-	917,453
Total non-current liabilities	41,510,040	-	41,510,040
Current liabilities			
Short-term loans	219,325,610	-	219,325,610
Trade and other payables	320,345,466	(3,826,114)	316,519,352
Other liabilities	-	3,826,114	3,826,114
Contract liabilities	93,001,552	(1,215,028)	91,786,524
Zakat payable	7,610,958	-	7,610,958
Total current liabilities	640,283,586	(1,215,028)	639,068,558
Total liabilities	681,793,626	(1,215,028)	680,578,598
Total shareholders' equity and liabilities	935,911,543	23,984,535	959,896,078

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33. SEGMENT INFORMATION

The Group operates solely in KSA and has no geographical segment. For management purposes, the Group is organized into business units based on service provided and has the following reportable segments:

Business Service Management Unit

Business Service Management unit provides software in areas of business service management, data center monitoring and optimization, in addition to contract center related solutions, as per requirements.

Solutions Unit

Solutions is a business unit that plan, design, establish and equip modern geographic information system ("GIS") centers, providing business with necessary infrastructure. It aids in building geographic data, training client teams, configuring GIS tools and building end-user applications.

Systems Unit

The system unit provides technological and business expertise to turn possibilities into real business solutions.

Information Technology Security Unit

Information technology Security provides a broad portfolio of industry-best solutions, which help customers develop, deploy, fulfil and maintain optimum security. It is a unit that meets all customer requirements for their information security cycle.

Networking Unit

The business unit's main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading Information Communication Technology ("ICT").

Operation and Maintenance Unit

Operation and Maintenance Unit is the Management Operation and Maintenance Project Unit that apply project management support for tasks where the application of knowledge, skills, and techniques to successfully implement IT infrastructure is necessary.

Corporate

The Corporate division is mainly involved in planning and execution of the overall objectives of the Group and synchronizes the functions of finance, operations, procurement, logistics, sales, administration, and human resources department.

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33. SEGMENT INFORMATION (CONTINUED)

Management monitors the operational results of the operating segments separately for making decisions about resource allocation and performance assessment. Consistent with the Group's internal reporting process, business segments have been approved by board of directors in respect of the Group's activities.

The segment information from operations of these segments is provided below:

	Segments					Corporate	Total
	<i>Business service management Unit</i>	<i>Solutions unit</i>	<i>Systems Unit</i>	<i>Information technology security Unit</i>	<i>Networking unit</i>	<i>Operation and maintenance unit</i>	
As at 31 December 2021							
Total assets	135,477,485	155,112,103	208,936,991	130,399,655	296,753,26	122,299,090	1,151,764,426
Total liabilities	36,115,715	94,400,004	150,104,483	107,220,221	169,648,935	166,357,604	818,105,205
For the year ended 31 December 2021							
Revenue							
<i>Timings of revenue</i>							
Sale of goods at point in time	48,956,234	9,771,674	88,099,118	19,138,734	125,482,384	10,716,934	302,165,078
Sale of services over year of time	18,491,487	37,881,768	40,421,745	28,742,334	73,990,571	137,130,845	336,658,750
<i>Type of customers</i>							
Government & government - controlled entities	16,511,239	40,959,514	98,881,770	35,414,262	120,331,986	147,438,714	459,537,485
Private	51,687,960	6,693,928	29,639,093	12,530,175	78,292,740	442,448	179,286,343
<i>Principal or agent revenue</i>							
Principal revenue	38,829,030	28,577,743	118,023,05	34,999,760	192,224,287	141,554,463	554,208,334
Agent revenue	29,370,169	19,109,082	10,497,812	12,944,676	6,400,439	6,293,316	84,615,494
Income before zakat	20,397,301	1,342,830	5,633,023	6,493,120	12,717,284	16,393,283	64,880,554

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33. SEGMENT INFORMATION (CONTINUED)

	<i>Business service management Unit</i>	<i>Segments</i>				<i>Operation and maintenance unit</i>	<i>Corporate</i>	<i>Total</i>
		<i>Solutions unit</i>	<i>Systems Unit</i>	<i>Information technology security Unit</i>	<i>Networking unit</i>			
As at 31 December 2020								
Total assets	117,354,300	198,687,836	202,889,467	141,939,137	245,516,235	114,982,010	126,430,689	1,147,799,674
Total liabilities	40,256,651	208,955,642	188,555,771	119,370,148	177,665,929	84,980,635	3,561,765	823,346,541
For the year ended 31 December 2020								
Revenue								
<i>Timings of revenue</i>								
Sale of goods at point in time	20,320,565	44,165,704	82,438,704	48,566,940	164,612,071	9,298,109	-	369,402,093
Sale of services over year of time	23,804,399	32,833,288	44,040,557	24,230,078	87,298,467	93,184,214	-	305,391,003
<i>Type of customers</i>								
Government & government - controlled entities	25,690,462	67,440,341	112,202,785	67,166,884	185,479,936	102,459,149	-	560,439,557
Private	18,595,655	9,558,650	14,276,475	5,630,133	66,269,449	23,177	-	114,353,539
<i>Principal or agent revenue</i>								
Principal revenue	35,090,872	62,094,048	122,869,573	63,481,510	246,369,163	102,006,172	-	631,911,338
Agent revenue	9,195,246	14,869,971	4,708,880	9,581,234	3,827,303	699,125	-	42,881,758
Income before zakat	25,284,857	5,805,115	5,840,102	9,311,162	25,647,411	15,315,217	2,267,367	89,471,231

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34. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following commitments and contingent liabilities as at the reporting date:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Capital commitments for property under construction	<u>-</u>	<u>4,418,377</u>
<i>Contingent liabilities</i>		
	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Letters of credit	62,128,383	43,653,588
Letter of guarantees	209,658,673	177,071,166

35. SUBSEQUENT EVENT

On 31 January 2022 corresponding to 28 Jumada-I 1443H, the Board of Directors of the Group resolved to distribute cash dividends amounting to SR 1 per share aggregating to SR 25 million.

Also, on 31 January 2021 the Board of Directors of the Group has resolved to increase the Capital by Granting (1) bonus shares for every (5) shares by transferring from retained earnings and statutory reserve to share capital.

Except mentioned above, no other event has occurred subsequent to the balance sheet date and including the date of the approval of the consolidated financial statements which requires the adjustment to, or disclosures, in these consolidated financial statements.