



# RSM

شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية  
RSM Allied Accountants Professional Services Co.

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

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

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

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

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Arab Sea Information Systems Company  
(A Saudi Joint Stock Company)

### Opinion:

We have audited the consolidated financial statements of Arab Sea Information Systems Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISA's) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters:

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of  
**Arab Sea Information Systems Company**  
(A Saudi Joint Stock Company)

### Key audit matters (Continued)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment Assessment of Intangible Assets</b></p> <p>As of December 31, 2022, the carrying value of the intangible assets amounted to SR 126.6 million (December 31, 2021: SR 133.8 million).</p> <p>The Group carried out an annual impairment assessment to assess the recoverable values of intangible assets. For the purposes of evaluation of the recoverable amount, the value in use model has been used to determine the recoverable amount, under which the future cash flows relating to each of the Cash Generating Units (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, growth rates and discount rates.</p> <p>During the annual impairment assessment, there was no reversal or impairment from intangible assets valuation as of December 31, 2022, accordingly, nothing was recorded in the consolidated statement of comprehensive income.</p> <p>We considered intangible assets impairment to be a key audit matter due to the extent of judgement and assumptions involved in the impairment assessment process.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation and effectiveness of the internal controls associated with the Group's procedures for the impairment in value of intangible assets, in addition to evaluating the key assumptions used.</li> <li>Reviewed and evaluated the impairment testing of intangible assets prepared by an independent expert.</li> <li>Used our experts to test the key assumptions used in the computation of value in use. Also, we have assessed the reasonableness of key assumptions in relation to the future estimated cash flows.</li> <li>Tested the accuracy and completeness of the information provided by the management which was used as a basis to assess the impairment in value of intangible assets.</li> <li>Reperformed through sensitivity analysis on the key assumptions to ascertain the extent of change in those assumptions that would be required for the intangible assets to be impaired.</li> <li>Assess the adequacy of the disclosures made by the Group in relation to the intangible assets with taking into consideration the related accounting standards requirements.</li> </ul>
<p>Refer to Note number (4) to the consolidated financial statements regarding the significant accounting policy related to impairment of intangible assets and Note number (6) related to the impairment disclosure.</p>	

### Other information included in The Group's 2022 Annual Report:

Management is responsible for the other information. The other information consists of the Group's 2022 annual report, but it does not include the consolidated financial statements and the auditor's report thereon. The Group's 2022 annual report is expected to be made available to us after the date of the independent auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance 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, we consider whether the other information is materially inconsistent with the consolidated financial statements or with the information obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2022 annual report (when it is available), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of  
Arab Sea Information Systems Company  
(A Saudi Joint Stock Company)

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements:

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

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

Those charged with governance; i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



# RSM

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RSM Allied Accountants Professional Services Co.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of  
**Arab Sea Information Systems Company**  
(A Saudi Joint Stock Company)

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

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

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

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

### RSM Allied Accountants Professional Services

**Mohammed Bin Farhan Bin Nader**  
License No. 435  
Riyadh, Kingdom of Saudi Arabia  
4 Ramadan 1444 H (Corresponding to March 26, 2023)





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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**  
(SAUDI RIYAL)

	Notes	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	3,408,456	681,615
Intangible assets	6	126,609,211	133,861,441
<b>Total non-current assets</b>		<b>130,017,667</b>	<b>134,543,056</b>
<b>Current assets</b>			
Inventory	7	1,606,968	1,958,915
Trade receivables	8	8,439,402	8,535,754
Prepaid expenses and other current assets	9	906,741	980,560
Cash and cash equivalents	10	9,366,801	19,515,770
<b>Total current assets</b>		<b>20,319,912</b>	<b>30,990,999</b>
<b>Total assets</b>		<b>150,337,579</b>	<b>165,534,055</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	100,000,000	100,000,000
Statutory reserve	13	16,501,562	16,501,562
Retained earnings		19,781,232	30,714,277
<b>Total equity</b>		<b>136,282,794</b>	<b>147,215,839</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' defined benefits obligations	14	5,197,408	4,591,534
<b>Total non-current liabilities</b>		<b>5,197,408</b>	<b>4,591,534</b>
<b>Current liabilities</b>			
Contract liabilities	15	1,662,022	2,703,500
Trade payables		1,727,986	2,734,275
Due to related party	11	360,000	-
Accrued expenses and other current liabilities	16	4,150,041	7,264,930
Zakat provision	17	957,328	1,023,977
<b>Total current liabilities</b>		<b>8,857,377</b>	<b>13,726,682</b>
<b>Total liabilities</b>		<b>14,054,785</b>	<b>18,318,216</b>
<b>Total equity and liabilities</b>		<b>150,337,579</b>	<b>165,534,055</b>

  
Finance Manager

  
Chief Executive Officer


  
Board of Directors Member

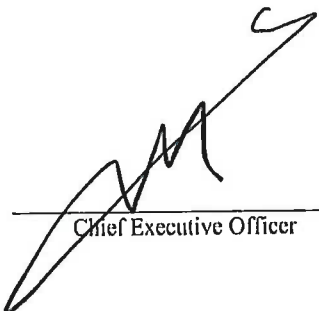
The accompanying notes form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYAL)

	Notes	2022	2021
Revenues	18	40,847,398	57,450,145
Cost of revenues	19	(21,378,361)	(19,945,402)
<b>Gross profit</b>		<b>19,469,037</b>	<b>37,504,743</b>
Selling and marketing expenses	20	(11,925,010)	(11,474,269)
General and administrative expenses	21	(13,284,854)	(9,289,894)
Expected credit losses on trade receivables	8	(3,704,960)	(6,069,720)
<b>Operating (loss) / profit</b>		<b>(9,445,787)</b>	<b>10,670,860</b>
Reversal from valuation of intangible assets	6	-	11,670,000
Other revenues		179,458	111,025
Finance cost	22	(118,009)	(121,000)
<b>(Loss) / profit before Zakat</b>		<b>(9,384,338)</b>	<b>22,330,885</b>
Zakat	17	(1,054,685)	(781,361)
<b>(Loss) / profit for the year</b>		<b>(10,439,023)</b>	<b>21,549,524</b>
<b>Other comprehensive income:</b>			
<i>Items that will not reclassified to profit or loss:</i>			
Actuarial remeasurement of employees' defined benefits obligations	14	(494,022)	(317,344)
<b>Other comprehensive loss for the year</b>		<b>(494,022)</b>	<b>(317,344)</b>
<b>Total (comprehensive loss) / comprehensive income for the year</b>		<b>(10,933,045)</b>	<b>21,232,180</b>
Basic and diluted (loss) / profit EPS from (loss) / profit for the year	23	(1.04)	2.15

  
Finance Manager

  
Chief Executive Officer

  
Board of Directors Member

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



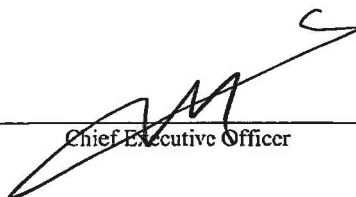
**ARAB SEA INFORMATION SYSTEMS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(SAUDI RIYAL)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the year ended December 31, 2021</b>				
Balance as of January 1, 2021	100,000,000	14,346,610	11,637,049	125,983,659
Profit for the year	-	-	21,549,524	21,549,524
Other comprehensive loss for the year	-	-	(317,344)	(317,344)
<b>Total comprehensive income for the year</b>	-	-	21,232,180	21,232,180
Transfer to statutory reserve	-	2,154,952	(2,154,952)	-
<b>Balance as of December 31, 2021</b>	<u>100,000,000</u>	<u>16,501,562</u>	<u>30,714,277</u>	<u>147,215,839</u>
<b>For the year ended December 31, 2022</b>				
Balance as of January 1, 2022	100,000,000	16,501,562	30,714,277	147,215,839
Loss for the year	-	-	(10,439,023)	(10,439,023)
Other comprehensive loss for the year	-	-	(494,022)	(494,022)
<b>Total comprehensive loss for the year</b>	-	-	(10,933,045)	(10,933,045)
<b>Balance as of December 31, 2022</b>	<u>100,000,000</u>	<u>16,501,562</u>	<u>19,781,232</u>	<u>136,282,794</u>



Finance Manager



Chief Executive Officer



Board of Directors Member

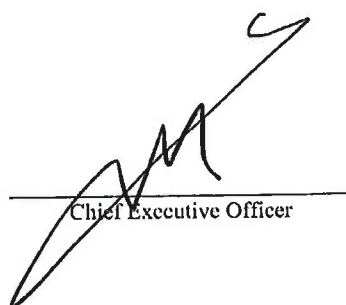
The accompanying notes form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(SAUDI RIYAL)

	2022	2021
<b>OPERATING ACTIVITIES:</b>		
(Loss) / profit before zakat	(9,384,338)	22,330,885
<b>Adjustments for non-cash items:</b>		
Depreciation of property and equipment	111,740	64,469
Amortization of intangible assets	12,477,355	12,013,063
Expected credit losses on trade receivables	3,704,960	6,069,720
Gain from disposal of property and equipment	(19,000)	(39,575)
Current service cost for employees' defined benefits obligations	726,003	519,863
Finance costs related to employees' defined benefits obligations	118,009	121,000
Reversal from valuation of intangible assets	-	(11,670,000)
<b>Changes in working capital:</b>		
Inventory	351,947	(107,270)
Trade receivables	(3,608,608)	(6,710,470)
Prepaid expenses and other current assets	73,819	766,217
Contracts liabilities	(1,041,478)	(372,413)
Trade payables	(1,006,289)	770,403
Accrued expenses and other current liabilities	(3,114,889)	2,081,138
Due to related party	360,000	(448,561)
<b>Cash flows (used in) / from operations</b>	<b>(250,769)</b>	<b>25,388,469</b>
Employees' defined benefits obligation paid	(732,160)	(34,344)
Zakat paid	(1,121,334)	(3,701,402)
<b>Net cash flows (used in) / from operating activities</b>	<b>(2,104,263)</b>	<b>21,652,723</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(662,742)	(355,946)
Proceeds from disposal of property and equipment	19,000	39,575
Additions of projects under construction	(2,175,839)	-
Additions of intangible assets	(5,225,125)	(4,905,686)
<b>Net cash flows used in investing activities</b>	<b>(8,044,706)</b>	<b>(5,222,057)</b>
<b>Net change in cash and cash equivalents during the year</b>	<b>(10,148,969)</b>	<b>16,430,666</b>
Cash and cash equivalents at the beginning of the year	19,515,770	3,085,104
<b>Cash and cash equivalents at the end of the year</b>	<b>9,366,801</b>	<b>19,515,770</b>

  
Finance Manager

  
Chief Executive Officer

  
Board of Directors Member

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**1- CORPORATE INFORMATION OF THE GROUP**

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

The registered address of the Company is located in Riyadh - Kingdom of Saudi Arabia, PO Box: 40268, Postal Code: 11499.

The Company’s activity is as follows:

- Installation and extension of computer and communication networks.
- Retail sale of computers and its accessories, including (printers and their inks).
- Operating systems.

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

<b>Branch name</b>	<b>City</b>	<b>Commercial registration number</b>
Arab Sea Training Center	Riyadh	1010664109
Arab Sea Information Systems Company	Buraydah	1131291891
Arab Sea Information Systems Company	Khobar	2051221240
Arab Sea Information Systems Company	Tabuk	3550123009
Arab Sea Information Systems Company	Jeddah	4030287742
Arab Sea Information Systems Company	Khamis Mushait	5855339644

The accompanying consolidated financial statements as of December 31, 2022 ended include the accounts of the Company and its subsidiaries (Collectively referred as the “Group”). The details of the subsidiaries companies are as follows:

<b>Subsidiary name</b>	<b>Country of incorporation</b>	<b>Ownership percentage</b>	
		<b>2022</b>	<b>2021</b>
Arab Sea Financial Company (*)	Kingdom of Saudi Arabia	100%	100%
Era Data Company for Information Technology (**)	Kingdom of Saudi Arabia	100%	-

(\*) Arab Sea Financial Company – Sole proprietorship Closed Joint Stock Company was established in accordance with the Companies Law in the Kingdom of Saudi Arabia under commercial registration number 1010725510 issued in Riyadh city dated on 20 Dhu al-Qa’dah 1442 H (Corresponding to June 30, 2021) with a capital of Saudi riyals 5 million, where The Company’s main activity is in providing technology solutions in financial services. During the years ended December 31, 2022 and 2021, the subsidiary did not practice any commercial activity mentioned in its commercial register. There are no non-controlling interests for the year 2022.

(\*\*) Era Data Company for Information Technology – Sole proprietorship Limited Liability Company was established in accordance with the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration number 1010778606 issued in Riyadh city dated on 6 Rajab 1443 H (Corresponding to February 7, 2022) with a capital of Saudi riyals 5 million. The company's main activity is in registration for cloud computing services. During the period ended December 31, 2022, the subsidiary did not practice any commercial activity mentioned in its commercial register. There are no non-controlling interests for the year 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**2- BASIS OF PREPARATION**

**2-1 Statement of compliance**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs endorsed in KSA").

**2-2 Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis unless the International Financial Reporting Standards ("IFRSs") require the use of another basis of measurement as stated in the accounting policies applied in Note number (4). In addition, these consolidated financial statements are prepared using accrual basis of accounting and going concern concept.

**2-3 Functional and presentation currency**

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

**2-4 Basis of consolidation**

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

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

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

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

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stakeholders' meetings.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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2- BASIS OF PREPARATION (CONTINUED)

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**2-5-1 Key sources of estimation uncertainty**

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

*i) Impairment reviews of non-financial assets*

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

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

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

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

*ii) Estimation of useful lives and residual values*

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

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

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

*iii) Zakat provision*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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2- BASIS OF PREPARATION (CONTINUED)

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

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

*iv) Calculation of expected credit loss allowance on trade receivables*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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**3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**3-1 New Standards, Amendments to Standards and Interpretations:**

The Group has adopted the following new standards and amendments for the first time that are effective from January 1, 2022:

**3-1-1 Amendments to IFRS 3, IFRS 9, IAS 16 and IAS 37**

IFRS 3 “Business Combinations” update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IFRS 9 “Financial Instruments” – “10%” test fee for derecognition of financial liabilities in which the amendment to IFRS 9 “Financial Instruments” clarifies the fees that the Group includes when assessing whether the terms of a new or modified financial liability is materially different from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender including fees paid or received by the borrower or lender on behalf of the other. The entity applies the amendment to financial liabilities that are modified or exchanged at or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 16 “Property, Plant and Equipment” prohibits the Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, the Group will recognise such sales proceeds and related cost in the consolidated statement of comprehensive income.

IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” specify which costs a Group includes when assessing whether a contract will be loss-making.

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

**3-2 Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

**3-2-1 Amendments to IAS 1 “Presentation of Financial Statements”, on the classification of liabilities:**

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

**3-2-2 Amendments to IAS 1, Practice statement 2 and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”:**

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

**3-2-3 Amendment to IAS 12 “Income Taxes” – deferred tax related to assets and liabilities arising from a single transaction:**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Current / Non-current assets and liabilities Classification**

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

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

**Fair Value Measurement**

The Group measures financial instruments, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two parties in the length of market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Foreign currencies**

**Transactions and balances**

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

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

**Property and equipment**

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

Such cost includes the cost of replacing parts of the property and equipment and borrowing cost for long-term projects under construction in the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in consolidated statement of comprehensive income as incurred.

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

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

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

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

**Intangible assets**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Intangible assets (Continued)**

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

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

<u>Asset category</u>	<u>Amortization In Years</u>
Programs and applications	5 - 20

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

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

**Impairment of Non- Financial Assets**

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

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

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

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

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

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

**Projects under construction**

Assets that are still in the construction or development stage are capitalized in the projects under construction account. An asset under construction or development is transferred to the appropriate category of property and equipment when the asset is in the location and / or condition necessary to make it capable of operating as intended by management. The cost of projects under construction item consists of the purchase price, construction / development costs and any costs directly attributable to the construction of the asset or its acquisition by management.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Projects under construction (Continued)**

Finance costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the start of commercial production. Projects under construction are measured at cost less any impairment recognized. Projects under construction are not depreciated. Depreciation begins when the assets are capable of economically operating as intended by management after they have been transferred to the appropriate class of assets.

**Inventory**

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

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

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

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

**Trade receivables**

Trade receivables represent the Group's right to the unconditional consideration amount (i.e.- the maturity of the consideration depends on the passage of time). Refer to the accounting policy for financial assets.

**Prepaid expenses and other current assets**

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

**Transactions with related parties**

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

**Cash and cash equivalents**

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

**Employees' defined benefits obligations**

The employees benefit obligations were measured using the projected unit credit method.

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

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

**Trade payables**

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

**Accrued expenses and other current liabilities**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases**

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

**Group as a lessee**

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

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

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

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

**Lease liabilities contracts**

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

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

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

**Short-term leases and impaired lease contracts**

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

**Contract liabilities**

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

**Financial assets**

***Initial recognition and measurement***

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

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

***Subsequent measurement***

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

***Financial Assets at Amortized Cost***

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

*Derecognition of financial asset*

Financial asset is derecognised only when:

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

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

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

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

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

**Impairment in the value of financial assets**

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

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

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

**Financial liabilities**

*Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Loans and advances*

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

*Derecognition of financial liabilities*

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

*Offsetting of financial instruments*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Provisions**

**General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Zakat provision**

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

**Value added tax**

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

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

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

**Revenue recognition**

Primarily, revenue is generated from providing services for the sale of computer licenses and software to clients. The group records its revenues according to the following sequence:

- Determine the contract with the client.
- Determining performance obligations in the contract.
- Determine the contract price.
- Allocating the contract price to the performance obligations.
- Recording revenue when fulfilling performance obligations.

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

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

**Revenue from the sale of licenses and computer software**

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

**Revenue from sale of maintenance and support services**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other revenues**

Other income is recognized when earned.

**Cost of revenues and expenses**

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

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

**Finance cost**

Finance costs directly associated with the acquisition, construction or production of an asset that necessarily takes a period of time to prepare for use or sale are recognized as part of the cost of that asset. All other costs are recorded as expenses in the period in which they accrued. Finance costs are interest costs and other costs incurred by the Group in connection with the process of borrowing money or otherwise.

**Contingent liabilities**

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

**Subsequent events**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

5- PROPERTY AND EQUIPMENT

(Saudi Riyal)

	Vehicles	Office equipment and Computers	Furniture and fixtures	Tools and equipment's	Leasehold improvements	Projects under construction (*)	Total
<b>Cost:</b>							
As at January 1, 2021	2,142,361	1,774,384	1,374,235	84,610	457,188	-	5,832,778
Additions	-	279,376	76,570	-	-	-	355,946
Disposals	(132,892)	-	-	-	-	-	(132,892)
As at December 31, 2021	2,009,469	2,053,760	1,450,805	84,610	457,188	-	6,055,832
Additions	-	355,548	307,194	-	-	2,175,839	2,838,581
Disposals	(88,000)	-	-	-	-	-	(88,000)
<b>As at December 31, 2022</b>	<b>1,921,469</b>	<b>2,409,308</b>	<b>1,757,999</b>	<b>84,610</b>	<b>457,188</b>	<b>2,175,839</b>	<b>8,806,413</b>
<b>Accumulated depreciation:</b>							
As at January 1, 2021	2,142,361	1,498,145	1,268,652	84,609	448,873	-	5,442,640
Charged during the year (Note 21)	-	40,430	15,724	-	8,315	-	64,469
Disposals	(132,892)	-	-	-	-	-	(132,892)
As at December 31, 2021	2,009,469	1,538,575	1,284,376	84,609	457,188	-	5,374,217
Charged during the year (Note 21)	-	82,640	29,100	-	-	-	111,740
Disposals	(88,000)	-	-	-	-	-	(88,000)
<b>As at December 31, 2022</b>	<b>1,921,469</b>	<b>1,621,215</b>	<b>1,313,476</b>	<b>84,609</b>	<b>457,188</b>	<b>-</b>	<b>5,397,957</b>
<b>Net book value:</b>							
<b>As at December 31, 2022</b>	<b>-</b>	<b>788,093</b>	<b>444,523</b>	<b>1</b>	<b>-</b>	<b>2,175,839</b>	<b>3,408,456</b>
As at December 31, 2021	-	515,185	166,429	1	-	-	681,615

(\*) Projects under construction amounting to Saudi Riyals 2,175,839 represent the costs incurred in preparing the infrastructure and installing special units for establishing the cloud services unit to a Subsidiary "Era Data Company for Information Technology" as the estimated costs amounted to Saudi Riyals 3,675,839 and are expected to be completed during 2023.

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6- INTANGIBLE ASSETS

Intangible assets represent the cost of developing and creating SMACC program in addition to a number of accounting applications and programs, the following is a summary of the movement of intangible assets as of December 31:

	(Saudi Riyal)	
	<b>Programs and applications</b>	
	2022	2021
<b>Cost:</b>		
Balance as at the beginning of the year	245,648,341	240,742,655
Additions during the year	5,225,125	4,905,686
<b>Balance as at the end of the year</b>	<b>250,873,466</b>	<b>245,648,341</b>
<b>(Deduct): Accumulated Amortization:</b>		
Balance as at the beginning of the year	111,786,900	99,773,837
Amortization charged during the year (Note 19)	12,477,355	12,013,063
<b>Balance as at the end of the year</b>	<b>124,264,255</b>	<b>111,786,900</b>
<b>(Deduct): Accumulated of impairment losses:</b>		
Balance as at the beginning of the year	-	11,670,000
Reversal of impairment for the year	-	(11,670,000)
<b>Balance as at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Net book value:</b>		
<b>Balance as at the end of the year</b>	<b>126,609,211</b>	<b>133,861,441</b>

The group conducted a study to assess the impairment in the value of intangible assets as on **December 31, 2022** and assigned Yazid Abdel-Wahhab Abdullah Al-Abdul-Wahhab office for business valuation (approved evaluator with license number 4012000042 in the Saudi Authority for accredited valuers). The evaluation was based on assumptions related to future sales volume and prices, annual growth rates, final growth rates, discount rates and other related factors. The results of these assumptions depended largely on the success of future operations according to management's estimates and the realization of its future plans based on the result of the impairment assessment. This assessment resulted in an estimation of intangible assets as of the date of the consolidated financial statements in the range of SR 122,7 million to SR 131,6 million (mid-point SR 127,1 million) as at the valuation date based on the present value method of future cash flows. According to that, there was no impairment in the value of intangible assets as of December 31, 2022.

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

**Sensitivity to changes in assumptions:**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

6- INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions (Continued)

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

	%	
	2022	2021
Discount rate	16% to 17%	12.5% to 13.5%
Estimated gross margin	80%	66%
Zakat rate	2.5%	2.5%
Average annual growth rate of sales	5%	5%
Terminal Growth Rate	2.5%	4%

7- INVENTORY

	(Saudi Riyal)	
	2022	2021
Computer hardware and accessories	1,606,968	1,958,915
<b>Total</b>	<b>1,606,968</b>	<b>1,958,915</b>

8- TRADE RECEIVABLES

	(Saudi Riyal)	
	2022	2021
Trade receivables	26,735,474	23,126,866
(Deduct): Expected credit losses provision	(18,296,072)	(14,591,112)
<b>Net</b>	<b>8,439,402</b>	<b>8,535,754</b>

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

	(Saudi Riyal)	
	2022	2021
Balance at the beginning of the year	14,591,112	8,521,392
Charged during the year	3,704,960	6,069,720
<b>Balance as at the end of the year</b>	<b>18,296,072</b>	<b>14,591,112</b>

Refer to Note number (25) ("Risks of financial instruments risk management" related to credit risks).

9- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	(Saudi Riyal)	
	2022	2021
Staff receivables	311,379	524,845
Advances to suppliers	286,721	154,395
Prepaid expenses	214,292	287,264
Other	94,349	14,056
<b>Total</b>	<b>906,741</b>	<b>980,560</b>

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**10- CASH AND CASH EQUIVALENTS**

	(Saudi Riyal)	
	2022	2021
Balances at banks	9,261,559	19,422,586
Cash in hand	105,242	93,184
<b>Total</b>	<b>9,366,801</b>	<b>19,515,770</b>

The Group deposits its cash in good rated banks. The Group's management does not believe that the expected credit losses on its bank balances are material.

**11- RELATED PARTIES BALANCES AND TRANSACTIONS**

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

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

<u>Due to related party name</u>	<u>Nature of the transaction</u>	<u>Type of relationship</u>	(Saudi Riyal)	
			2022	2021
Mr / Mohammed Saleh		Chairman of Board of Directors		
Mohammed Al Suhaibany	Operating		360,000	-
<b>Total</b>			<b>360,000</b>	<b>-</b>

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

	(Saudi Riyal)	
	2022	2021
<b><u>Type of transaction:</u></b>		
Expenses paid on behalf	360,000	7,856

**Transactions of executive management compensation personnel**

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

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

	(Saudi Riyal)	
	2022	2021
<b><u>Short-term employee benefits:</u></b>		
Salaries and benefits of executive BOD members	600,696	540,000
Allowance for attending Board of Directors sessions	181,000	271,000
Executives rewards	100,000	100,000
<b>Total</b>	<b>881,696</b>	<b>911,000</b>

**12- CAPITAL**

The share capital as of December 31, 2022 is SR 100 million (December 31, 2021: SR 100 million), divided into 10 million shares as of December 31, 2022 (December 31, 2021: 10 million shares) with a nominal value of SR 10 per share.

**13- STATUTORY RESERVE**

In accordance with the requirements of the regulation for companies in the Kingdom of Saudi Arabia and Company's article of association, the Group establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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**14- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS**

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

The annual provision is based on the actuarial valuation. The latest actuarial valuation was carried out by an independent expert assigned by the group's management, using the Actuarial Projected Unit Credit Method as at December 31, 2022.

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

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	4,591,534	3,667,671
Current service cost	726,003	519,863
Interest cost (Note 22)	118,009	121,000
Losses from actuarial remeasurement of employees' defined benefits obligations	494,022	317,344
Paid during the year	(732,160)	(34,344)
<b>Balance as at the end of the year</b>	<b>5,197,408</b>	<b>4,591,534</b>

**Main and significant actuarial assumptions used:**

	2022	2021
Discount rate	4%	2.8%
Expected rate of salary increase	1.5%	1%
	2022	2021
Retirement age	60 years	60 years

**Sensitivity analysis:**

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

	(Saudi Riyal)	
	2022	2021
Discount rate +1%	5,017,744	4,089,671
Discount rate -1%	(5,289,751)	(5,158,671)
Salary increase rate +1%	5,291,853	5,163,671
Salary increase rate -1%	(5,013,305)	(4,077,671)

**Risks Associated with Employees' Defined Benefits Obligations:**

**Salary Increase Risks:**

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

**Withdrawal risks:**

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

**15- CONTRACT LIABILITIES**

	(Saudi Riyal)	
	2022	2021
Liabilities from technical support and maintenance	1,662,022	2,703,500
<b>Total</b>	<b>1,662,022</b>	<b>2,703,500</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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16- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	(Saudi Riyal)	
	2022	2021
Staff and accruals payables	1,389,044	1,390,612
Accrued vacations	686,601	738,274
Advances from customers	609,725	42,835
Accrued commissions	541,812	1,265,312
Value added tax	447,625	3,342,274
Accrued GOSI	111,584	102,616
Accrued rents	19,156	34,924
Other	344,494	348,083
<b>Total</b>	<b>4,150,041</b>	<b>7,264,930</b>

17- ZAKAT PROVISION

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

	(Saudi Riyal)	
	2022	2021
Net Adjusted (loss) / profit	(1,250,713)	29,887,966
Equity	147,215,839	125,983,659
Provisions and other items	20,456,224	12,251,575
Less: non-current assets	(135,573,955)	(138,319,138)
<b>Zakat base</b>	<b>30,847,395</b>	<b>29,804,062</b>

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

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	1,023,977	3,944,018
Charged for the year	1,054,685	781,361
Paid during the year	(1,121,334)	(3,701,402)
<b>Balance as at the end of the year</b>	<b>957,328</b>	<b>1,023,977</b>

**Zakat and assessment status:**

The Company completed its zakat status until the year 2021, as the Company does not have any zakat assessments with the Zakat, Tax and Customs Authority ("ZATCA") until the date of the consolidated financial statements. The Company has submitted its financial statements and zakat returns for the year 2021 and paid zakat due and obtained the certificate.

***Zakat status for Arab Sea Financial Company:*** The subsidiary Company calculates its zakat provision separately, the subsidiary company submitted its financial statements and its zakat returns for the year 2021 and obtained the Certificate from the Zakat, Tax and Customs Authority ("ZATCA").

***Era Data Company for Information Technology:*** The subsidiary Company calculates its zakat provision separately, and the amount due to the Zakat, Tax and Customs Authority amounted to 69,112 Saudi riyals at the end of the period ended December 31, 2022, which is the subsidiary financial statements are the first year audited in accordance with its article of association.



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**18- REVENUES**

	(Saudi Riyal)	
	2022	2021
Revenues from licenses in use of software and hardware	37,710,921	54,755,663
Revenues from maintenance services and technical support	3,136,477	2,694,482
<b>Total</b>	<b>40,847,398</b>	<b>57,450,145</b>

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

	(Saudi Riyal)	
	2022	2021
<b>Revenue recognition timing:</b>		
<b><u>At point of time</u></b>		
Revenues from licenses in use of software and hardware	37,710,921	54,755,663
<b><u>Overtime</u></b>		
Revenues from maintenance services and technical support	3,136,477	2,694,482
<b>Total</b>	<b>40,847,398</b>	<b>57,450,145</b>

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

**19- COST OF REVENUES**

	(Saudi Riyal)	
	2022	2021
Amortization of intangible assets (Note 6)	12,477,355	12,013,063
Salaries, wages and other benefits	4,200,680	3,543,173
Cost of hardware and accessories	1,869,119	3,019,567
Miscellaneous	2,831,207	1,369,599
<b>Total</b>	<b>21,378,361</b>	<b>19,945,402</b>

**20- SELLING AND MARKETING EXPENSES**

	(Saudi Riyal)	
	2022	2021
Salaries, wages and other benefits	4,543,121	3,932,140
Commissions	3,746,219	5,388,269
Advertisement's expenses	2,763,976	1,370,289
Miscellaneous	871,694	783,571
<b>Total</b>	<b>11,925,010</b>	<b>11,474,269</b>

**21-GENERAL AND ADMINISTRATIVE EXPENSES**

	(Saudi Riyal)	
	2022	2021
Salaries, wages and other benefits	6,772,496	4,575,976
Professional fees	2,668,773	1,555,728
Board of directors' rewards	1,704,136	1,113,500
Insurance and medical expenses	327,882	367,919
Car and general maintenance	311,218	77,293
Iqama and visa	193,100	418,064
Governmental fees	186,735	160,383
Depreciation of property and equipment (Note 5)	111,740	64,469
Miscellaneous	1,008,774	956,562
<b>Total</b>	<b>13,284,854</b>	<b>9,289,894</b>

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22- FINANCE COST

	(Saudi Riyal)	
	2022	2021
Finance costs related to employees' defined benefits obligations (Note 14)	118,009	121,000
<b>Total</b>	<b>118,009</b>	<b>121,000</b>

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

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

24- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has contingent liabilities of bank guarantees issued in the ordinary course of business amounting to 34,349 Saudi Riyals as at December 31, 2022 (December 31, 2021: 14,057 Saudi Riyals).

The Group also has contractual capital commitments that have not been incurred as of December 31, 2022 in the amount of 1.5 million Saudi Riyals (Note 5).

25- FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk
- Commission rate risk
- Foreign currency risk
- Price risk
- Capital risk management

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

GENERAL FRAMEWORK FOR RISK MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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25- FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

**CREDIT RISK**

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

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

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

	(Saudi Riyal)	
	2022	2021
Cash at banks	9,261,559	19,422,586
Trade receivables	8,439,402	8,535,754
Other current assets	405,728	538,901
<b>Total</b>	<b>18,106,689</b>	<b>28,497,241</b>

The Group has made a credit policy to analyze each new client separately to verify its credit ability before presenting the payment's terms and conditions of the Group. The Group's review includes the external classifications in case it is available and in some cases the bank references. Sales limitations are being set for each customer and are being reviewed quarterly.

The impairment for expected credit losses on trade receivables has been estimated as at December 31, 2022 with an amount of 18,296,072 Saudi Riyals (2021: 14,591,112 Saudi Riyals) (Note 8) in accordance with the Group's applied policy and IFRS 9 – "Financial Instruments".

As at the date of the consolidated statement of financial position, the aging of trade receivables was as follows:

<u>December 31, 2022</u>		(Saudi Riyal)	
<u>Debt status</u>	Weighted Average of credit loss rate	Gross carrying amount	Expected credit losses
Current	1.4%	2,609,358	35,806
Overdue for more than 30 days	1.5%	457,090	6,632
Overdue for more than 60 days	3%	961,877	29,006
Overdue for more than 120 days	6.8%	228,903	15,493
Overdue for more than 180 days	10.9%	276,275	30,221
Overdue for more than 240 days	21%	28,730	6,047
Overdue for more than 300 days	84.8%	22,484	19,075
Overdue for more than a year	50 - 100%	22,150,757	18,153,792
<b>Total</b>		<b>26,735,474</b>	<b>18,296,072</b>

<u>December 31, 2021</u>		(Saudi Riyal)	
<u>Debt status</u>	Weighted Average of credit loss rate	Gross carrying amount	Expected credit losses
Current	0.04%	550,745	242
Overdue for more than 30 days	0.2%	309,940	473
Overdue for more than 60 days	0.3%	470,206	1,322
Overdue for more than 120 days	1.3%	326,206	4,380
Overdue for more than 180 days	3.3%	6,439,879	211,658
Overdue for more than 240 days	9.4%	8,627	813
Overdue for more than 300 days	43.6%	4,140	1,803
Overdue for more than a year	50 - 100%	15,017,123	14,370,421
<b>Total</b>		<b>23,126,866</b>	<b>14,591,112</b>

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25- FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

**LIQUIDITY RISK**

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

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

	(Saudi Riyal)			
	Book value	Contracted cash flow	Less than one year	More than a year
<b>December 31, 2022</b>				
Contract liabilities	1,662,022	1,662,022	1,662,022	-
Trade payables	1,727,986	1,727,986	1,727,986	-
Accrued expenses and other current liabilities	4,150,041	4,150,041	4,150,041	-
Due to related party	360,000	360,000	360,000	-
<b>Total</b>	<b>7,900,049</b>	<b>7,900,049</b>	<b>7,900,049</b>	<b>-</b>
<b>December 31, 2021</b>				
Contract liabilities	2,703,500	2,703,500	2,703,500	-
Trade payables	2,734,275	2,734,275	2,734,275	-
Accrued expenses and other current liabilities	7,264,930	7,264,930	7,264,930	-
<b>Total</b>	<b>12,702,705</b>	<b>12,702,705</b>	<b>12,702,705</b>	<b>-</b>

**MARKET RISK**

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

**COMMISSION RATE RISK**

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

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

**FOREIGN CURRENCY RISK**

Currency risk represents the risks resulting from the fluctuation of the value of a financial instrument due to changes in foreign exchange rates. Management monitors fluctuations in foreign exchange rates (US Dollars, Egyptian Pound and Emirates Dirham) and believes that the Group is not exposed to significant currency risks.

**PRICE RISK**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**25- FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)**

**CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are to:

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

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

**26- SEGMENT INFORMATION**

**Operating segment**

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

**Geographical sector**

The Group operates entirely within inside and outside the Kingdom of Saudi Arabia.

The activities of the Company and its subsidiaries are concentrated mainly in the Kingdom of Saudi Arabia, Egypt and the United Arab Emirates. The following is a summary of some financial data for each geographical area separately:

	(Saudi Riyal)	
	2022	2021
<b>Geographical information</b>		
<b>Revenues:</b>		
Kingdom of Saudi Arabia	40,436,866	57,131,328
United Arab Emirates	311,384	318,817
Egypt	99,148	-
<b>Total</b>	<b>40,847,398</b>	<b>57,450,145</b>

**27- FAIR VALUE**

For the purpose of fair value disclosures of financial instruments, all financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

**28- SIGNIFICANT EVENT**

The Group announced the signing of a non-binding memorandum of understanding with the Chairman of the Board of Directors "Mr. Muhammad Saleh Muhammad Al-Suhaibani" (related party) to acquire a real estate asset owned by him (the "Proposed Transaction") in exchange for issuing shares in the Group, where the purpose of this asset will be to use a part from it to be the headquarters of the group, the Group will announce the financial impact of the deal after completing all the legal procedures and regulations in the Kingdom of Saudi Arabia.

**29- SUBSEQUENT EVENTS**

As per management opinion, there are no significant subsequent events after the year ended December 31, 2022 that could have a material impact on the consolidated financial position of the Group or the results of its operations.

**30- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements approved by the board of directors of the group on 4 Ramadan 1444 H (Corresponding to March 26, 2023).