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

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

INDEX	**PAGE**
Independent auditor's report	1 – 2
Consolidated statement of profit or loss and other comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6 – 7
Notes to the consolidated financial statements	8 – 46

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Dammam branch office
License #323/11/96/2
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Elm Information Security Company ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss and other comprehensive income items, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

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

Other Matters
The financial statements of the Group have been audited for the year ended December 31, 2018 by another auditor who has issued an unmodified opinion on these consolidated financial statements on Rajab 26, 1440 (corresponding to April 2, 2019).

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

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

Those charged with governance - the Board of Directors - are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Mohammed Subahi
License No. 378
16 Sha'ban, 1441H
April 9, 2020

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

CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(Saudi Riyals)

	Notes	**31 December 2019**	31 December 2018
Revenue	25	**2,102,019,057**	1,925,710,207
Cost of revenue	20	**(1,420,650,808)**	(1,206,406,160)
Gross profit		**681,368,249**	719,304,047
Expenses			
Selling and marketing	21	**(84,355,264)**	(70,185,043)
Provision for expected credit losses		**-**	(4,901,237)
General and administrative	22	**(209,649,116)**	(217,022,653)
Depreciation and amortization	5,7,8	**(86,856,721)**	(67,828,297)
Operating profit		**300,507,148**	359,366,817
Finance costs	5,7	**(4,898,047)**	(4,555,548)
Return on short-term deposits	13,14	**12,148,779**	3,255,313
Other (expenses) income	23	**(576,324)**	6,267,371
Net profit		**307,181,556**	364,333,953
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments through other comprehensive income	9	**1,732,887**	-
Re-measurement of provision for end of service benefits	16	**(11,659,634)**	(5,919,247)
TOTAL COMPREHENSIVE INCOME		**297,254,809**	358,414,706
Earnings per share (in Saudi Riyal):			
Basic and diluted earnings per share from operating profit	31	**60.10**	71,87
Basic and diluted earnings per share from net profit	31	**61.44**	72,87

Vice President – Finance | Group Chief Executive Officer | Chairman

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Saudi Riyals)

	Notes	**31 December, 2019**	31 December, 2018
ASSETS			
Non-current assets			
Property, Plant and equipment	5	**354,832,427**	375,837,995
Capital work in progress	6	**48,147,079**	7,019,971
Right-of-use assets	7	**153,909,953**	-
Intangible assets	8	**18,677,252**	33,743,513
Investments at fair value through other comprehensive income	9	**16,441,497**	4,694,375
Total Non-current assets		**592,008,208**	421,295,854
Current assets			
Trade Receivable	10	**1,116,100,812**	1,092,009,956
Contract assets	11	**414,302,099**	323,687,277
Prepaid expenses and other Assets	12	**102,773,746**	82,325,916
Bank deposits	13	**482,063,295**	341,498,210
Cash and cash equivalents	14	**104,827,765**	194,461,635
Total current assets		**2,220,067,717**	2,033,982,994
TOTAL ASSETS		**2,812,075,925**	2,455,278,848
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	15	**50,000,000**	50,000,000
Statutory reserve		**25,000,000**	25,000,000
Retained earnings		**1,434,562,220**	1,137,307,411
Total equity		**1,509,562,220**	1,212,307,411
LIABILITIES			
Non-current liabilities			
Liabilities of purchasing property – non-current portion	5	**97,752,252**	120,647,641
Lease liabilities - non current	7	**119,269,254**	-
End of service benefits provision	16	**184,382,388**	144,028,971
Total non-current liabilities		**401,403,894**	264,676,612
Current liabilities			
Trade Payable	17	**169,855,601**	210,071,379
Contract liabilities	18	**186,389,099**	200,084,362
Accrued expenses and other liabilities	19	**503,204,623**	545,829,399
liabilities of purchasing property – current	5	**22,895,389**	22,309,685
Lease liabilities - current	7	**18,765,099**	-
Total current liabilities		**901,109,811**	978,294,825
Total liabilities		**1,302,513,705**	1,242,971,437
TOTAL EQUITY AND LIABILITIES		**2,812,075,925**	2,455,278,848

Vice President – Finance | Group Chief Executive Officer | Chairman

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(Saudi Riyals)

	Issued and Paid up capital	Statutory reserve	Retained earnings	Total equity
Balance as at January 1, 2018	50,000,000	25,000,000	1,035,151,217	1,110,151,217
Net profit	-	-	364,333,953	364,333,953
Other comprehensive income	-	-	(5,919,247)	(5,919,247)
Dividend distributions to shareholders	-	-	(256,258,512)	(256,258,512)
Balance as at December 31, 2018	50,000,000	25,000,000	1,137,307,411	1,212,307,411
Balance, January 1, 2019	**50,000,000**	**25,000,000**	**1,137,307,411**	**1,212,307,411**
Net profit	**-**	**-**	**307,181,556**	**307,181,556**
Other comprehensive income	**-**	**-**	**(9,926,747)**	**(9,926,747)**
Balance as at December 31, 2019	**50,000,000**	**25,000,000**	**1,434,562,220**	**1,509,562,220**

Vice President – Finance   Group Chief Executive Officer   Chairman

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Saudi Riyals)

	Notes	**31 December 2019**	31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		**307,181,556**	364,333,953
Adjustments for non-cash items:			
Depreciation and amortization	8 ,7,5	**86,856,721**	67,828,297
Provision for expected credit losses	29	**-**	4,901,237
Loss from disposal of property and equipment		**2,008,424**	122,571
Provision for End of service benefits	16	**38,316,848**	33,811.485
Bank deposits income		**(12,148,779)**	(3,255,313)
Finance costs	7 ,5	**4,898,047**	4,555,548
		427,112,817	472,297,778
Working capital adjustments:			
Trade Receivable		**(24,090,856)**	(1,299,334)
Prepaid expenses and other assets		**(21,351,068)**	(21,105,226)
Contract assets		**(90,614,822)**	(128,924,368)
Trade payable		**(40,215,778)**	(16,377,473)
Contract liabilities		**(13,695,263)**	97,180,052
Accrued expense and other liabilities		**(16,688,679)**	90,004,306
Cash from operations		**220,456,351**	491,775,735
Bank deposits income collected		**9,566,164**	3,013,047
Provision for end of service benefits paid	16	**(9,623,065)**	(15,503,165)
Net cash from operating activities		**220,399,450**	479,285,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank deposits	14	**(140,565,085)**	(341,498,210)
Purchases of property, plant and equipment and tangible assets	5	**(27,630,953)**	(10,465,574)
Proceeds from disposal of property, plant and equipment		**-**	650,000
Investments at fair value through other comprehensive income	9	**(10,014,235)**	(4,694,375)
Payments for capital works in progress	6	**(41,127,108)**	(12,657,960)
Net cash used in investing activities		**(219,337,381)**	(368,666,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of capital component from capital leases		**(37,552,110)**	-
Repayment of liabilities of purchasing property		**(22,309,685)**	(21,738,964)
Finance cost paid		**(4,691,388)**	(4,323,831)
Dividends paid		**(26,142,756)**	(376,215,759)
Net cash used in financing activities		**(90,695,939)**	(402,278,554
Net decrease in cash and cash equivalents		**(89,633,870)**	(291,659,056)
Cash and cash equivalents at the beginning of the year	14	**194,461,635**	486,120,691
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**104,827,765**	194,461,635

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Saudi Riyals)

Significant non-cash transactions:

	Notes	**31 December 2019**	31 December 2018
Changes in fair value of investments at fair value through other comprehensive income		**(1,732,887)**	-
Re-measurement of provision for end of service benefits	16	**(11,659,634)**	(5,919,247)
Amounts transferred from prepaid expenses and assets balances to right-of-use assets		**(3,485,853)**	-
Dividends payable		**-**	256,258,512
Transfer from capital work in progress to Property, plant and equipment		**-**	52,228,590
Impact of adoption of IFRS 9		**-**	67,752,444
Finance costs		**-**	231,717

Vice President – Finance	Group Chief Executive Officer	Chairman

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements

1. INFORMATION ABOUT THE COMPANY

Elm Information Security Company (the "Company") was established in Riyadh, Saudi Arabia, as a Saudi limited liability company on 24 Shawwal 1408H (corresponding to June 8, 1988). It was converted to a Saudi Closed Joint Stock Company under the Royal Decree Number (M/90) dated 3 Dhul-Qa'dah 1428 H (corresponding to November 13, 2007), and registered under commercial register number 1010069210. The company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia.

The company's activities are to provide information security services and in the field of electronic business, exchange credit information, manage and operate data and information centers, import, develop, sell and maintain devices, mechanisms, spare parts, software, information systems and communication networks, provide buying and selling sites through the Internet, and in the field of training and workforce development.

The main activity of the company is to provide safe electronic services to the governmental and private sectors and individuals by providing a center for a huge database that serves the community as a whole while taking into consideration the privacy in those dealings. Providing outsource services, which are concerned with outsourcing to public sectors, to provide public interaction services and operational work for these sectors. And providing IT solutions and consulting services in the field of information technology which is provided mainly for the public sector, in addition to training solutions services. The company provides its services to clients through the following main business sectors:

1- Product Suits: It is specialized in providing electronic services to the government and private sectors.
2- Digital Outsourcing: It is specialized in outsourcing to the public sectors to provide public interaction services and operational work.
3- Digital Custom Solutions: It is specialized in providing digital solutions in the field of information technology.
4- Training Solutions: It is specialized in providing training solutions in various fields.
5- Consulting: It is specialized in providing consulting solutions for the government and private sectors.

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

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

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

1- "Yaqeen" service: This service provides electronic verification of identity, and it corrects and updates the relevant databases automatically, it allows its subscribers to verify the data of their customers before entering them in their databases, also enables them to update what was previously entered into their database according to what is in the records of the National Information Center. This service also includes several sub services, the most important of which is the service of verifying the identity of the subscribers related to companies whose shares are offered for IPO.

1. INFORMATION ABOUT THE COMPANY (CONTINUED)

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

3- “Umrah” service: Umrah services connect the Ministry of Hajj with the Ministry of Interior and the Ministry of Foreign Affairs to transfer data on the entry and exit of pilgrims automatically to the Umrah companies that they follow, and pre-issue the border number. These services performed in cooperation with the Ministry of Hajj, through companies licensed to provide data to different Umrah companies. Hajj services are based on transferring and registering the data of the inside pilgrims automatically so that the institutions of the inside pilgrims can give an immediate response to the requests of the pilgrims to obtain permits of acceptance or rejection, in addition to registering the data of those who are accepted automatically.

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

5- “Absher” services: It is an integrated digital platform for the services of the Saudi Ministry of Interior that allows governmental entities, citizens, residents and owners of institutions to implement the services of the General Directorate of Traffic and the Civil affairs Agency and the General Directorate of Passports and others through interactive electronic operations that depends on linking with the relevant authorities technically and linking them with the National information center. In order to facilitate the access of services to the beneficiaries, an application for smart devices has been developed, and the services have been distributed on sub-platforms as needed: Absher individuals, Absher businesses, and Absher government.

Subsidiaries

The company established Emdad Al Khebrat` Company Ltd., a limited liability company under commercial registration number 1010414975, on Rajab 22, 1435H (corresponding to May 21, 2014) and wholly owned by Al-Elm Information Security Company and its head office located in Riyadh. The main activity of Emdad Al Khebrat company is to manage call centers, service centers and provide consulting services in the field of electronic business, operation and maintenance, import, export and sale of hardware, equipment, software, systems and workforce development.

The company has established Elm Technical Investment Company, a limited liability company under commercial registration number 1010069210, on 11 Ramadan 1440H (corresponding to May 16, 2019) and wholly owned by Elm Information Security Company and its headquarters located in Riyadh. The main activity of the company is the management of call centers, service centers, computer systems programming, computer consultancy experience activities, information technology services, data processing, web hosting, and retail sale of information and communication equipment in specialized stores.

1. ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)
The company established the Future Resources Company Limited, a limited liability company under commercial registration number 1010606896, dated Rabi Al Awal 8, 1441H (corresponding to November 5, 2019) and its headquarters located in Riyadh, and it is owned by Emdad Al Khebrat Limited Company with a 0.02% and Elm Technical Investment Company with 99.98%, The main activity of the company is in financial services, consulting experience activities in the field of management and computer programming activities.

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

2. BASE OF PREPARATION

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

The Group has implemented the International Financial Reporting Standard (16) leases starting from January 1, 2019. This change also expected to be reflected in the accounting policies of the Group's consolidated financial statements as stated in Note 3.

b. Basis of consolidation
The accompanying consolidated financial statements include the financial statements of Elm for Information Security Company and its subsidiaries (“together referred to as the Group”).

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

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

All inter-company balances and significant transactions, income and expenses between the company and its subsidiaries were excluded when the financial statements were consolidated.

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

The accounting policies approved by the subsidiary are in accordance with the group's accounting policies. When necessary, adjustments are made to the financial statements of the subsidiaries to comply with the financial statements of the group.

2. BASE OF PREPARATION (CONTINUED)

c. Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for employee End of service benefits provision measured at the present value of future obligations and investments at fair value through other comprehensive income measured at fair value.

d. Functional and presentation currency

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

e. Use of Assumptions and estimates

e-1 Important accounting judgments in applying accounting policies

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

The discount rate used to determine the carrying amount of the group's End of service benefits provision

The Group's end of service liabilities is deducted at a specified rate by reference to the returns of the financial market on the pension obligation index for a period equal to the commitment period as at the end of the report date. It requires setting important judgments when defining criteria for deriving the return, including the state risk premium, and determining amendments that are excluded.

e-2 Using assumptions and estimates

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

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

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

Estimated useful lives and residual values of property, plant and equipment and intangible assets

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

2. BASIS OF PREPARATION - (CONTINUED)

e.2 Using assumptions and estimates (continued)

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

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

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

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

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

The assumptions used to determine the actuarial value of End of service benefits provision
The Group has made various estimates to determine the actuarial value of the employee end of service benefits provision. These estimates are disclosed in Note 16.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Classification of assets and liabilities as “current” and “non-current”
The group shows the assets and liabilities in the consolidated statement of financial position as current / non-current. The assets are current when:

- It is expected to be realized or intended to be sold or exhausted during the normal operations cycle.
- If it is acquired mainly for trading purposes.
- It is expected to be realized within 12 months after the financial period,

or

- When its cash and cash equivalents unless there are restrictions on their replacement or their use to pay off any liabilities for a period not less than 12 months after the financial period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of assets and liabilities as “current” and “non-current” (continued)

All liabilities are current when:

- It is expected to be paid during the normal operations cycle.
- If acquired mainly for trading purpose.
- It is due for payment within 12 months after the financial period,

or

- There is no unconditional right to postpone the payment of liabilities for a period not less than 12 months after the financial period.

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

Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements that consider significant lower level inputs that are observable directly or indirectly;
- Level 3 - fair value measurements that don’t consider significant lower level inputs that are unobservable.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Step (1): Identify the contract (s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.
Step (2): Identify the performance obligations in the contract. A performance obligation is an undertaking stipulated in the contract with the customer to transfer a good or service to the customer.
Step (3): Determine the transaction price: The transaction price represents the amount of compensation that the group expects to have the right in exchange for transferring the promised goods or services to the customer except the amounts that are collected on behalf of third parties.
Step (4): Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that involve more than one performance obligation, the Group will allocate the transaction price to each performance obligation, in an amount that the Group expects to have the right to fulfill each performance obligation.
Step (5): Recognize revenue when (or as) the entity satisfies a performance obligation.
The Group fulfills a performance obligation and recognizes revenue over a period of time if one of the following controls is met:
A) The performance of the group does not originally create an asset with an alternative use to the group, and the group has the right to enforce payment in exchange for the performance completed to date.
B) Group performance creates or improves a customer-controlled asset at the same time that the asset is constructed or improved.
C) The customer receives the benefits provided by the performance of the facility and consumes it at the same time once the group has performed.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Balances and foreign transactions

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

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)
The following are the life of the group's property, plant and virtual equipment:

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

Intangible assets
Intangible assets acquired independently are measured on initial recognition at cost. The cost of the intangible assets acquired in the process of accumulating fair value facilities at the date of acquisition. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Internally developed intangible assets are not capitalized, except for capitalized development costs, and expenses are charged to the consolidated statement of profit or loss and other comprehensive income for the year in which they are incurred.

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

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

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

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

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

Computer programs and electronic systems are amortized within 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets
The Group, at the date of preparing each consolidated financial statements, makes an assessment to ensure that there is any evidence of any impairment in the value of an asset. In case that such evidence exists or when an annual test is required to confirm the existence of an impairment in the value, the Group estimates the recoverable amount for that asset. The recoverable amount represents the higher value of the fair value of the asset or cash generating unit, less costs of disposal and the present value, and is determined for each asset, except the cases where the asset does not generate cash inflows that are largely independent of those from other assets or group assets. In cases where the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the asset is considered to be impaired and is written down to the recoverable amount.

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

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

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

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

Intangible assets with indefinite useful lives are tested to ensure that there is an annual decrease in their value, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

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

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

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

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

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

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

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

Equity instruments designated as at FVTOCI

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

The Group always recognizes lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

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

Credit-impaired financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of expected credit losses (continued)

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

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

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

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

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

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

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

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

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

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

Except what is mentioned below, the accounting policies used when preparing these consolidated financial statements are the same as those applied when preparing the consolidated financial statements for the year ended December 31, 2018.

The change in significant accounting policies is expected to be reflected in the consolidated financial statements for the financial year ended 31 December 2019.

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

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

The Group had adopted IFRS (16) Leases as at January 1, 2019.

IFRS (16) replaces existing guidelines for lease contracts, including IAS (17) “Lease Contracts,” and the IFRIC 4 “Determining whether an arrangement involves a lease”, IFRIC (15) “Operating Leases - Incentives”, and IFRIC (“27”) to assess the substance of transactions that takes the legal form of the lease.

IFRS 16 provides lessees a single model for accounting of lease contracts. The lessee recognizes the asset related to the right of use that represents its right to use the related asset in addition to the lease liability that represents its obligation to make the lease payments. There are optional exemptions for short-term lease contracts and lease contracts for low-value assets. The lessor’s method of accounting remains similar to the current standard - that, lessors continue to classify leases into finance or operating leases.

The Group adopted IFRS 16 using the revised retroactive approach on the date of initial application January 1, 2019. Under this method, the lease liability is measured based on the remaining discounted lease payments using the interest rate of the additional borrowing as at the date of the initial adoption; the book value of the right of use the asset is the amount equal to the book value of the lease liability at the date of the initial adoption. Any prepayments, accruals, or lease incentives related to a previous operating lease are settled against the right of use the asset on the date of the initial adoption.

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

<u>As a leasee</u>
The Group previously classified the leases as operating or financing leases based on its assessment of whether the lease transfers all risks and rewards of ownership of the underlying asset to the group. For the year ended December 31, 2018, the Group classified all leases as operating leases. Under IFRS 16, the Group recognizes the right of use the assets and lease liabilities for most leases – which means that these leases are included in the financial position.

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

<u>Initial recognition</u>
The assets and liabilities arising from the lease are initially measured based on the present value.

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

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

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

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

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

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

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

Subsequent measurement

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

A) After deducting the accumulated depreciation and any accumulated losses of impairment.
B) The amendment after any re-measurement of the lease liabilities of the lease modifications.

Lease commitment
The company measures rental liabilities after the start date by:
A) Increase in book value to reflect interest on lease liabilities.
B) Reducing book value to reflect lease payments made.
C) Remeasurement of book value to reflect any revaluation or amendment of the lease.

Transition impact
With applying the IFRS (16) lease contracts. The Group recognized the right-of- use assets and lease liabilities.

The following table summarizes the impact of the adoption of IFRS 16 on the consolidated statement of financial position as of January 1, 2019:

	1 January 2019
The right-of-use assets	61,086,752
Prepaid expenses and other debit balances	(3,485,853)
lease liabilities- non current	45,885,809
lease liabilities- current	15,200,943

Lease payments are discounted using the 3% incremental borrowing interest rate, the rate which the lessee has to pay to borrow the funds needed to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

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

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

Impact on the year
As a result of applying IFRS (16) with respect to the leases that were previously classified as operating leases, the Group recognized the right of use assets and lease liabilities by the amount of SR 154 million and SR 138 million respectively as of December 31, 2019.
Also, with respect to leases that are accounted for in accordance with IFRS 16, the Group has recognized depreciation and interest expense instead of an operating lease expense. During the year ended December 31, 2019, the Group recognized a depreciation expense of SR 25 million and an interest expense of SR 907 thousand.

4-2 New and amended IFRSs that are applied and have no significant effect on the financial statements

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities.*	January 1, 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	January 1, 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. IAS 12 Income Taxes, IAS 23 Borrowing Costs,*	January 1, 2019
The *Annual Improvements* include amendments to four Standards.	

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

4-2 New and amended IFRSs that are applied and have no significant effect on the financial statements (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 3 Business Combinations The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	January 1, 2019
IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	January 1, 2019
IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	January 1, 2019
IAS 23 Borrowing costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	January 1, 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement. The amendments clarify that the previous service cost (or of profit or loss on settlement) is calculated by measuring the defined benefit liabilities (assets) by using updated assumptions and comparing the benefits provided and the assets plan before and after modifying the plan (or curtailment or settlement) while ignoring the effect of the upper limit of assets (Which may arise when the defined benefit plans are in excess) IAS 19 is now clear because the change in the effect of the upper limit of assets that may result from a plan adjustment (or curtailment or settlement) is determined in a second step and is recognized in the ordinary way in other comprehensive income.	January 1, 2019

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

4-2 New and amended IFRSs that are applied and have no significant effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

The application of these IFRSs has not had any significant impact on the consolidated financial statements for the current and prior years but may affect the accounting for future transactions or arrangements.

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	January 1, 2019

The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

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

4-3 New and amended IFRSs that are in progress but net yet in effect and have not been early adopted

New and revised IFRSs	**Effective for annual periods beginning on or after**
The Group did not early adopt the new and revised IFRSs issued but not yet in effect.	
Definition of a Business – Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	January 1, 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform.	
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.	January 1, 2022
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

5-. PROPERTY, PLANT AND EQUIPMENT

	Land (A)	Buildings (A)	Information system devices	Furniture and Fixtures	Leasehold improvements	Vehicles	Total
Cost							
Balance as at January 1, 2018	25,760,000	228,309,571	46,444,959	38,151,870	114,687,933	9,391,060	462,745,393
Additions during the year	-	52,355,629	9,029,704	1,096,631	-	212,200	62,694,164
Disposals during the year	-	-	(483,881)	(5,856,364)	(11,786,405)	(2,240,000)	)(20,366,650
Balance as at December 31, 2018	**25,760,000**	**280,665,200**	**54,990,782**	**33,392,137**	**102,901,528**	**7,363,260**	**505,072,907**
Additions during the year	-	2,088,281	14,752,557	3,036,352	2,890,271	1,413,305	24,180,766
Disposals during the year	-	-	(2,322,093)	(796,913)	-	(604,950)	)(3,723,956
Balance as at December 31, 2019	**25,760,000**	**282,753,481**	**67,421,246**	**35,631,576**	**105,791,799**	**8,171,615**	**525,529,717**
Accumulated Depreciation							
Balance as at January 1, 2018	**-**	-	34,564,377	23,519,062	43,560,277	6,162,947	107,806,663
Charge for the year	**-**	7,130,224	7,533,893	5,340,442	19,590,711	1,427,058	41,022,328
Disposals during the year	**-**	-	(277,786)	(5,550,517)	(11,525,776)	(2,240,000)	)(19,594,079
Balance as at December 31, 2018	-	**7,130,224**	**41,820,484**	**23,308,987**	**51,625,212**	**5,350,005**	**129,234,912**
Charge for the year	-	8,516,197	10,246,800	4,986,031	18,296,161	1,132,721	43,177,910
Disposals during the year	-	-	(876,336)	(385,676)	-	(453,520)	)(1,715,532
Balance as at December 31, 2019	**-**	**15,646,421**	**51,190,948**	**27,909,342**	**69,921,373**	**6,029,206**	**170,697,290**
Net book value							
As at December 31, 2019	**25,760,000**	**267,107,060**	**16,230,298**	**7,722,234**	**35,870,426**	**2,142,409**	**354,832,427**
As at December 31, 2018	25,760,000	273,534,976	13,170,298	10,083,150	51,276,316	2,013,255	375,837,995
As at January 1, 2018	25,760,000	228,309,571	11,880,582	14,632,808	71,127,656	3,228,113	354,938,730

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The liabilities of purchasing a property consist of the following:

	December 31, 2019	December 31, 2018
liabilities of purchasing a property - non current	**97,752,252**	120,647,641
liabilities of purchasing a property - current	**22,895,389**	22,309,685

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

Year	**Value**
2019	22,309,685
2020	22,895,389
2021	23,496,470
2022	24,113,331
2023	24,746,387
2024	25,396,064
	142,957,326

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

	December 31, 2019	December 31, 2018
Finance costs	**3,990,910**	4,555,548

6. CAPITAL WORK IN PROGRESS

Payments for capital work in progress consists of the following:	**December 31, 2019**	December 31, 2018
Additional buildings for the group	**-**	1,533,727
Electronic platforms and products (a)	**48,147,079**	5,486,244
Total	**48,147,079**	7,019,971

Movement of payments for capital work in progress is as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**7,019,971**	46,590,601
Additions	**47,254,118**	12,657,960
Transferred to property, plant and equipment (note 5)	-	(52,228,590)
Transferred to intangible assets (note 8)	**(1,496,987)**	-
Disposals during the year	**(4,630,023)**	-
Balance year end	**48,147,079**	7,019,971

6. CAPITAL WORK IN PROGRESS (CONTINUED)

(a) The most important additions items of platforms and electronic devices are as follows:

Platforms	Description	Amount
Elm Inspection platform	A platform owned by Elm and It will be used in inspection projects with an expected date in April 2021.	**13,172,600**
Elm X platform	The platform will provide a horizontal set of shared services for products, projects, and Elm services, allowing fast rendering of basic Elm services and the expected completion date is in February 2020.	**11,885,211**
Najez project	The project provides a new channel for the Ministry of Justice to provide a new service center with an expected completion date in January 2020.	**5,744,884**
Digital payment Platform	It enables Elm to accept payments for its products and services through various payment methods such as Mada (debit card payments), Visa, Master Card, and Sadad with an expected completion date in February 2021.	**5,219,424**
The Central Archiving Project	It provides and operates the central digitization plants for archiving real estate wealth spread in all public courts and notices around the Kingdom with an expected completion date in April 2020.	**4,773,285**

7. RIGHT -OF- USE ASSETS

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

	Buildings and Land	Printers	Vehicles	Total
Balance as of 31 December 2018	-	-	-	-
Impact of IFRS 16 adoption	58,565,737	2,521,015	-	**61,086,752**
Additions	115,067,691	-	2,917,873	**117,985,564**
Depreciation	(23,031,278)	(672,148)	(1,458,937)	**(25,162,363)**
Disposals	-	-	-	-
Balance as of December 31, 2019	150,602,150	1,848,867	1,458,936	**153,909,953**

7. RIGHT -OF- USE ASSETS (CONTINUED)

The lease liability consists of the following:

	December 31, 2019	December 31, 2018
Lease liabilities- non current	**119,269,254**	**-**
Lease liabilities- current	**18,765,099**	**-**

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

	December 31, 2019	December 31, 2018
Finance costs	**907,137**	-

8. INTANGIBLE ASSETS

COST	**Total**
Balance as at January 1, 2018	128,381,002
Balance as at December 31, 2018	128,381,002
Additions	3,450,187
Balance as at December 31, 2019	**131,831,189**
Accumulated Amortization	
Balance as of January 1,2018	67,831,520
Amortization	26,805,969
Balance as of December 31,2018	**94,637,489**
Amortization	18,516,448
Balance as at December 31, 2019	**113,153,937**
Net Book Value	
As at December 31, 2019	**18,677,252**
As at December 31, 2018	33,743,513
As at January 1,2018	60,549,482

9. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The movement of investment at fair value through other comprehensive income is as follows:

	Syarah company (a)	**Bayzat company (b)**	**Unifonic company (c)**	**Total**
Balance as at 31 December 2018	-	-	4,694,375	**4,694,375**
Additions	5,007,333	5,006,902	-	**10,014,235**
Change in fair value during the year	3,849,251	(4,052,832)	1,936,468	**1,732,887**
Balance as at 31 December 2019	**8,856,584**	**954,070**	**6,630,843**	**16,441,497**

9. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(A) “Syarah” company established according to the British Virgin Islands Commercial Companies Law under commercial registration number 1924624.

The company provides many services provided to car buyers and sellers through the "Syarah Online" platform, which is an integrated shopping platform that provides to its clients financing, marketing, summary report and other services. The number of owned shares reached 9,331.12, with a value of SR 535.37 per share, which forms 8.23% of the total paid shares.

(B) Bayzat Company established according to the Cayman Islands Commercial Companies Law. The company provides insurance solutions where the user can compare and choose the best option according to his requirements via Bayzat platform, as well as the company provides through its platform human resources systems and automate it safely. The number of owned shares reached 6,521 preferred shares, at a value of SR 766.75 per share, which forms 3.25% of the total preferred shares paid.

(C) Unifonic Company established according to the Virgin Islands Business Companies law under Commercial Registration No. 1887019.

The company provides the latest technology to develop strong communications by adopting a secure API defined by text messages and voice calls, two-factor verification and number verification in order to ensure reliable communication channels between companies and customers. The number of shares owned 1,562,500 shares, with a value of SR 3.0044 per share, which forms 1.2% of the total paid shares.

All the above-mentioned investments are unlisted companies and their fair value has been determined by comparing them with similar companies in active markets in accordance with IFRS 13.

10. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2019	December 31, 2018
Government receivables *	**823,733,424**	866,448,747
Trade receivables	**466,888,509**	409,991,406
	1,290,621,933	1,276,440,153
Provision for expected credit losses	**(174,521,121)**	(184,430,197)
	1,116,100,812	1,092,009,956

The movement of expected credit losses is as follows:

	December 31, 2019	December 31, 2018
Opening Balance	**184,430,197**	133,946,854
Impact of the adoption of IFRS 9	**-**	67,752,444
Provision for the year	**-**	3,135,636
Reversal for the year	**(9,909,076)**	(20,404,737)
Ending Balance	**174,521,121**	184,430,197

* The balance of government receivables includes balances for the Public Investment Fund amounting to SR 10 million, as disclosed in Note 24

11. CONTRACT ASSETS

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

Contract assets consists of the following:

	December 31, 2019	December 31, 2018
Government receivables	**376,123,937**	290,947,216
Trade receivables	**71,484,873**	56,137,696
	447,608,810	347,084,912
Provision for expected credit losses	**(33,306,711)**	(23,397,635)
	414,302,099	323,687,277

The movement of expected credit losses is as follows:

	December 31, 2019	December 31, 2018
Opening balance	**23,397,635**	1,227,297
Provision for the year	**9,909,076**	22,170,338
Ending balance	**33,306,711**	23,397,635

12. PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

	December 31, 2019	December 31, 2018
Prepaid insurance and rent	**31,583,129**	25,316,975
Employees receivable	**31,275,516**	27,997,220
Deferred costs	**29,478,608**	16,551,151
Advance of right investment - “ Zid” Company (a)	**3,755,200**	-
Advances to suppliers	**3,261,470**	11,548,597
Accrued interest revenue	**2,824,882**	242,266
Other	**594,941**	669,707
	102,773,746	82,325,916

A) Zid Company is established under the Commercial Companies Law in Abu Dhabi under commercial registration number 000001640. The company provides integrated technology solutions for the retail sector, where the user can set up an online portal and define payment and delivery methods for his clients through an electronic platform. Elm has invested SR 3,755,200 million in advance of the right to purchase shares at a subsequent time.

13. BANK DEPOSITS

The balance of long-term bank deposits consists of long-term deposits with a term of more than three months. The average commission is 3.09% annually, and the consolidated statement of profit or loss and other comprehensive income has been charged with a total deposit income of SR 12.15 million during the year ended December 31, 2019.

14. CASH AND CASH EQUIVALENTS

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

	December 31, 2019	December 31, 2018
Cash at banks	**104,827,765**	74,461,635
Short term Murabaha deposits *	**-**	120,000,000
	104,827,765	194,461,635

* The balance of short-term Murabaha deposits consists of short-term deposits of three months and less. The average commission is 2.43% annually.

15. ISSUED AND PAID UP SHARE CAPITAL

The issued and fully paid up capital consists of 5,000,000 shares, with a par value of SR 10 per share.

16. END OF SERVICES BENEFITS PROVISION

The principal actuarial assumptions

	December 31, 2019	December 31, 2018
Financial assumptions:		
Discount rate	**3.5%**	5%
Salary increase rate	**5%**	5%
Demographic assumptions:		
Retirement age	**60**	60
Turnover rate	**Group A: 16.1%** **Group B: 11%** **Group C: 15.7%**	Group A: 16.1% **Group B: 11%** **Group C: 15.7%**
Mortality rate	**From AM table (80)**	From AM table (80)
Resignation rate	**80%**	**80%**
Termination rate	**20%**	**20%**

16. END OF SERVICE BENEFITS PROVISION (CONTINUED)

Employee end of service benefits provision movement in present value:

	December 31, 2019	December 31, 2018
Opening balance- present value of end of service benefits provision	**144,028,971**	119,801,404
Current service cost	**31,117,775**	27,821,415
Current service financing cost	**7,199,073**	5,990,070
Benefits paid	**(9,623,065)**	(15,503,165)
Actuarial losses arising from the liability	**11,659,634**	5,919,247
Employee defined benefit liabilities closing balance	**184,382,388**	144,028,971

Following are sensitivity analysis for the actuarial assumptions:

	December 31, 2019		December 31, 2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (change by 1%)	**(17,949,074)**	**21,342,758**	(13,791,656)	16,389,784
Increase salary rate (change by 1%)	**21,545,048**	**(18,455,549)**	16,597,621	(14,220,384)
Mortality rate (change by 10%)	**(32,480)**	**32,569**	(25,001)	25,070
Employee turnover rate (change by 10%)	**(2,444,782)**	**2,623,137**	(2,085,854)	2,241,661

17. ACCOUNT PAYABLE

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

18. CONTRACT LIABILITIES

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

19. ACCRUED EXPENSES AND OTHER LIABILITES

Accrued expenses and other liabilities are as follows**:**

	December 31, 2019	December 31, 2018
Contractual costs	**232,096,207**	265,123,832
Employees accruals	**159,813,799**	165,264,361
Advances from customers	**64,639,873**	54,517,181
Marketing and sales commissions	**23,933,062**	20,271,824
Retention payables	**7,745,459**	2,092,525
Unpaid dividends	**1,986,500**	28,129,256
Others	**12,989,723**	10,430,420
	503,204,623	545,829,399

20. COST OF REVENUE

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

	December 31, 2019	December 31, 2018
Salaries and employee benefits	**828,237,831**	702,080,707
Direct costs	**592,412,977**	504,325,453
	1,420,650,808	1,206,406,160

21. SELLING AND MARKETING EXPENSES

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

	December 31, 2019	December 31, 2018
Salaries and other employee benefits	**59,812,699**	48,608,512
Advertising and exhibitions	**10,932,066**	9,519,812
Public relations	**7,191,423**	6,229,090
Sadad service expenses	**5,360,692**	4,026,380
Other expenses	**1,058,384**	1,801,249
	84,355,264	70,185,043

22. GENERAL AND ADMINISTRATIVE EXPENSES

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

	December 31, 2019	December 31, 2018
Salaries and other employee benefits	**148,780,763**	141,250,261
Consulting and professional services	**19,703,639**	15,429,976
Hospitality and activities	**16,870,395**	13,556,224
Repair and maintenance expenses	**5,162,271**	6,610,863
General utilities and communications	**3,923,867**	4,558,547
Rent	**876,060**	18,230,347
Other expenses	**14,332,121**	17,386,435
	209,649,116	217,022,653

23. OTHER (EXPENSES) INCOME

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

	December 31, 2019	December 31, 2018
Funds received from Human Resources Development Fund to support Saudization	**813,221**	4,099,727
Legal cases expenses (a)	**(2,271,000)**	-
Others	**881,455**	2,167,644
	(576,324)	6,267,371

(a) On August 9, 2018, a legal case was raised against the company that includes the claim for payment of rent amounts related to one of the service centers for the civil affairs project. The legal department of the group, in addition to the opinion of an independent legal advisor, believes that there is a 60% probability of losing this case. The company may be required to pay an amount of SR 3 million.

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

Party	Relationship
Public Investment Funds	Shareholder
Senior executive managers	Employees
Board of directors	Members
Unifonic company	Affiliates

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

	December 31, 2019	December 31, 2018
Transactions with the shareholder		
	117,022,058	104,718,482
Service revenue	**24,799,593**	8,617,877
Dividends	**-**	256,258,512
Transaction with board of directors and senior executive managers		
Salaries and benefit	**15,191,107**	14,929,019
Remunerations and allowances	**12,982,224**	17,819,953
End of service indemnity	**1,947,433**	1,924,775

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	December 31, 2019	December 31, 2018
Balances:		
Due from related parties included in trade receivable for service income	**10,231,463**	8,993,660
Due to related parties included in accrued expenses and other liabilities for dividend distribution	**2,537,750**	28,129,256
End of service indemnity for senior executive managers	**10,239,791**	15,071,694

25. SEGMENT INFORMATION

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

For the year ended December 31, 2019	**Product suits**	**Digital outsourcing**	**Digital custom solution**	**Consulting**	**Training solutions**	**Total**
Revenues	**1,191,215,862**	**380,895,681**	**341,571,304**	**134,514,233**	**53,821,977**	**2,102,019,057**
Employee costs	**(230,030,506)**	**(332,849,061)**	**(207,563,592)**	**(40,995,278)**	**(16,799,394)**	**(828,237,831)**
Direct costs	**(270,637,137)**	**(29,720,150)**	**(165,926,054)**	**(93,123,022)**	**(33,006,614)**	**(592,412,977)**
Total profit / (loss)	**690,548,219**	**18,326,470**	**(31,918,342)**	**395,933**	**4,015,969**	**681,368,249**
Profit (loss) margin	**%58**	**%5**	**(%9)**	**%0**	**%7**	**%32**
Total assets	**1,593,605,652**	**509,561,305**	**456,953,250**	**179,952,810**	**72,002,908**	**2,812,075,925**
Total liabilities	**738,135,546**	**236,021,573**	**211,654,268**	**83,351,591**	**33,350,727**	**1,302,513,705**

For the year ended 31 December 2018	**Product suits**	**Digital outsourcing**	**Digital custom solution**	**Consulting**	**Training solutions**	**Total**
Revenues	1,042,271,756	326,294,625	380,370,588	118,305,906	58,467,332	**1,925,710,207**
Employee costs	(188,164,002)	(263,137,369)	(195,804,473)	(34,721,550)	(20,253,313)	**(702,080,707)**
Direct costs	(204,853,771)	(49,500,713)	(154,165,494)	(59,703,608)	(36,101,867)	**(504,325,453)**
Total profit / (loss)	649,253,983	13,656,543	30,400,621	23,880,748	2,112,152	**719,304,047**
Profit (loss) margin	%62	%4	8%	%20	%4	**%37**
Total assets	1,328,895,587	416,025,365	484,972,171	150,839,928	74,545,797	**2,455,278,848**
Total liabilities	672,746,095	210,610,557	245,514,499	76,361,885	37,738,401	**1,242,971,437**

25. SEGMENT INFORMATION (CONTINUED)

B) information on revenue sources

	December 31, 2019	December 31, 2018
Governmental revenue	**1,165,844,702**	1,087,139,037
Trading revenue	**936,174,355**	838,571,170
	2,102,019,057	1,925,710,207

26. ZAKAT

The group submitted the zakat returns and received against it an empowerment letter from the General Authority of Zakat and Tax until the end of the financial year ended December 31, 2018, which ends on April 30, 2020. The Group did not receive any zakat assessments for prior years until December 31, 2018. As the group is 100% owned by the Public Investment Fund, and based on the correspondence that was made with the GAZT, the Authority does not oblige the group to pay and provide the group with an annual facilities letter, while the group must still hold regular accounts, issue audited financial statements, register with the authority, and take into consideration regular dates in submitting the annual zakat return for the purpose of information only, and provide the Authority with information about contracts with other parties and any other contracts and committing to the withholding taxes and its procedures.

27. BANK FACILITIES

The Group has a number of banking facilities agreements with local banks to meet the working capital requirements and support the group's business requirements in the form of cash withdrawals, letters of guarantee and letter of credits amounting to SR 750 million, SR 100 million and SR 1 million respectively. The group did not use the cash withdrawal facilities as of December 31, 2019. These facilities are guaranteed with notes payable by the amount of SR 700 million for local banks.

28. CONTINGENT LIABILTIES

The Group has outstanding bank guarantee letters amounting to SR 82.1 million as of December 31, 2019. (December 31, 2018: SR 26.8 million).

29. RISK MANAMGMENT

A. Commission rate risk

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

B. Interest rate risk

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

C. Credit risk

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

29. RISK MANAMGMENT (CONTINUED)

C. Credit risk (continued)

The carrying amounts of accounts receivable and contract assets represent the maximum exposure to credit risk. The impairment losses for the accounts receivable and contract assets are recognized in profit or loss were as follows:

	December 31, 2019	December 31, 2018
Expected credit losses provision (note 10,11)	**-**	4,901,237

As of December 31, 2019, exposure to credit risk with respect to trade receivables and contract assets by type of customer (governmental or non-governmental) is as follows:

	Account receivable		**Contract assets**	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Government receivables	**823,733,424**	866,448,747	**376,123,937**	290,947,216
Trading receivables	**466,888,509**	409,991,406	**71,484,873**	56,137,696
	1,290,621,933	1,276,440,153	**447,608,810**	347,084,912

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

The following table displays information about exposure to credit risk, expected credit losses on accounts receivable and contract assets for government customers as of December 31, 2019:

Government receivables

31 December 2019	**Credit risk**	**Weighted average loss rate**	**Total carrying value**	**Impairment loss provision**	**Low credit value**
Grades 1-6: low risk	AAA to BBB	1%	782,733,424	6,088,187	No
Grade 12: loss	D	73%	41,000,000	29,800,978	Yes
		4%	**823,733,424**	**35,889,165**	

Government contract assets

1 December 2019	**Credit risk**	**Weighted average loss rate**	**Total carrying value**	**Impairment loss provision**	**Low credit value**
Grades 1-6: low risk	AAA to BBB	1%	354,883,841	3,938,555	No
Grade 12: loss	D	100%	21,240,096	21,240,096	Yes
		7%	**376,123,937**	**25,178,651**	

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

29. RISK MANAMGMENT (CONTINUED)

c) Credit risk (continued)

The following table displays information about exposure to credit risk, expected credit losses on accounts receivable and contract assets for non-government customers as of December 31, 2019:

31 December 2019	Weighted average loss rate	Total carrying value	Impairment loss provision	Low credit value
	non-government Account receivable			
Overdue from 1-90 days	%9	115,997,626	10,334,673	No
Overdue from 91-180 days	6%	82,918,937	4,572,497	No
Overdue from 181-270 days	19%	14,761,735	2,844,293	No
Overdue from 271-360 days	13%	12,353,666	1,555,227	No
Overdue from 361-450 days	7%	27,657,252	1,952,556	No
Overdue from 451-540 days	4%	50,906,299	2,112,957	No
Overdue from 541-630 days	10%	34,410,097	3,313,272	No
Overdue from 631-720 days	74%	3,078,878	2,291,101	No
Overdue from 721-810 days	77%	3,091,956	2,384,103	No
Overdue from 811-900 days	80%	750,172	597,386	No
Overdue from 901-990 days	81%	1,106,754	894,903	No
Overdue from 991-1080 days	93%	1,741,352	1,619,096	No
Overdue more than 3 years	88%	118,113,785	104,159,892	Yes
Total	**%30**	**466,888,509**	**138,631,956**	

31 December 2019	Weighted average loss rate	Total carrying value	Impairment loss provision	Low credit value
	non-government Contract assets			
Contract assets for non-government	11%	71,484,873	8,128,060	No
Total	**11%**	**71,484,873**	**8,128,060**	

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

29. RISK MANAMGMENT (CONTINUED)

c) Credit risk (continued)

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

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**207,827,832**	135,174,151
Impact of the adoption of IFRS 9	**-**	67,752,444
Provision for the year	**-**	4,901,237
Reversal for the year	**-**	-
Balance at the end of the year	**207,827,832**	207,827,832

d) Liquidity risk

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

e) Foreign currency risk management

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value by which an asset is exchanged or a liability settled, between willing parties, on fair terms.

The Group's financial assets consist of bank balances, accounts receivable and contract assets. While financial liabilities consist of accounts payable, deferred revenue and payments made by service providers. The fair value of the financial instruments does not materially differ from its carrying value.

31. EARNINGS PER SHARE

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

32. SUBSEQUENT EVENTS

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across around the globe, causing disruptions to businesses and economic activity. The Group management considers this outbreak to be a non-adjusting event after the reporting date. As the situation is fluid and rapidly evolving, the potential impact on the results of the Group cannot be estimated.

For subsequent reporting periods, this will affect the measurement and recognition of assets and liabilities in the consolidated financial statements, and the Group's management is still working on the impact assessment for 2020.

33. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors a on 14 Sha'aban 1441H , corresponding to April 7, 2020.