Elm Prospectus

A Saudi one-person closed joint stock company incorporated pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), and registered in the Commercial Registry of Riyadh under No. 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G).

Offering of twenty-four million (24,000,000) ordinary shares, representing 30% of Elm Company's capital, for public subscription, at an Offer Price of One hundred and twenty-eight Saudi Riyals (SAR128) per share.

Offering Period: four (4) days commencing on Thursday 02/07/1443H (corresponding to 03/02/2022G) and ending on Sunday 05/07/1443H (corresponding to 06/02/2022G)

Elm (the "**Company**" or the "**Issuer**") is a Saudi one-person closed joint stock company incorporated pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), and registered in the Commercial Registry of Riyadh under No. 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G), with its registered address at P.O. Box 67651, Riyadh, Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City, 12382, Kingdom of Saudi Arabia.

The Company was established on 24/10/1408H (corresponding to 06/09/1988G) as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value of ten thousand Saudi Riyals (SAR 10,000) per share, registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**". On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full divided into five million (5,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). On 24/03/1442H (corresponding to 10/11/2020G), the Company's Extraordinary General Assembly agreed to amend the Company's name from "**Al-Elm Information Security Company, a one-person closed joint stock company**" to "**Elm, a one-person closed joint stock company**" and increase the Company's capital from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty-five million (45,000,000) new shares in the Company through (a) the capitalization of thirty-three million, three hundred and thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings, and (b) the capitalization of four hundred and sixteen million, six hundred and sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in exchange for in-kind shares resulting from the acquisition of the Saudi Company for Exchanging Digital Information ("**Tabadul**"). On 10/11/1442G (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. This increase was covered by capitalizing three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings (for more information about the Company's history, please see Section 4-1-2 "**Corporate History and Evolution of Capital**" of this Prospectus).

As at the date of this Prospectus, the Company's capital is eight hundred million Saudi Riyals (SAR 800,000,000) divided into eighty million (80,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The initial public offering (the "**Offering**") consists of twenty-four million (24,000,000) ordinary shares (collectively, the "**Offer Shares**" and each an "**Offer Share**") at an Offer Price of One hundred and twenty-eight Saudi Riyals (SAR 128) per share, with a nominal value of ten Saudi Riyals (SAR 10) per share (the "**Offer Price**"). The Offer Shares represent 30% of the Company's capital.

The Offering shall be restricted to the following two tranches of investors ("**Investors**"):

Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Instructions on Book Building and Allocation of Shares in Initial Public Offerings issued by the Board of the Capital Market Authority ("**CMA**") pursuant to Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G) (the "**Book Building Instructions**") (collectively the "**Participating Parties**"). The number of Offer Shares initially allocated to Participating Parties is twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. The final allotment will be made after the end of the Retail Offering Period. In the event that Retail Investors (as defined in Tranche (B) below) subscribe for all Offer Shares allocated thereto, the Financial Advisor shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of sixteen million, eight hundred thousand (21,800,000) Offer Shares, representing 70% of the Offer Shares. The number and percentage of Offer Shares to be allocated to Participating Parties will be determined by the Financial Advisor in consultation with the Company, using a discretionary allocation mechanism.

Tranche (B): Retail Investors: this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual who can subscribe for her own benefit in the names of her minor children on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom, or GCC natural investors, provided they have a bank account with one of the Receiving Entities and are allowed to open an investment account (collectively, the "**Retail Investors**" and each a "**Retail Investor**", and together with Participating Parties the "**Subscribers**"). A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of seven million, two hundred thousand (7,200,000) Offer Shares, representing 30% of the total Offer Shares, will be allocated to Retail Investors, provided that Participating Parties subscribe to all Offer Shares allocated to them. If Retail Investors do not subscribe for all the shares allocated to them, the Financial Advisor, in consultation with the Company and the Selling Shareholder, may reduce the number of shares allotted to them in proportion to the number of shares for which they subscribed.

The Public Investment Fund (the "**Selling Shareholder**" or "**Substantial Shareholder**") owns all of the Company's shares prior to the Offering. The Selling Shareholder will sell the Offer Shares in accordance with Table 1-4 (**Ownership Structure of the Company pre- and post- Offering**) of this Prospectus. Upon the completion of the Offering, the Selling Shareholder will own 70% of the shares and will consequently retain a controlling interest in the Company. The Offering proceeds, less the Offering expenses, (the "**Net Proceeds**") will be distributed to the Selling Shareholder. The Company will not receive any part of the Net Proceeds (for more information about the Offering Proceeds, please see Section 8 "**Use of Offering Proceeds**" of this Prospectus). The Offering is fully underwritten by the Underwriter (for more information about underwriting, please see Section 13 "**Underwriting**" of this Prospectus). The Public Investment Fund may not dispose of its shares for a period of six (6) months ("**Lock-up Period**") as of the date the trading of the Company's shares commences on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**"), as set out on page (xxi) of this Prospectus. The Company's Substantial Shareholder, who holds 5% or more of the Company's shares, is the Public Investment Fund. Table 1-2 "**The Substantial Shareholder, Number of its Shares and Ownership Percentage Pre-and Post-Offering**" of this Prospectus sets out the Substantial Shareholder's ownership percentage in the Company's capital.

The Offering Period will commence on Thursday 02/07/1443H (corresponding to 03/02/2022G), and remain for a period of four (4) days, up to and including the closing day on Sunday 05/07/1443H (corresponding to 06/02/2022G) ("**Offering Period**"). Subscription to the Offer Shares by Retail Investors can be made during the Offering Period at some Receiving Entity branches or through the internet, telephone banking or ATMs of the Receiving Entities listed on page (vii) (the "**Receiving Entities**") providing all or some of these services to their customers (for more information, please see Section 16-3-2 "**Subscription by Retail Investors**" of this Prospectus). Participating Parties can bid for the Offer Shares through the Bookrunner during the book-building process, which takes place before the shares are offered to Retail Investors (for more information about the book-building process for Participating Parties, please see Section 16-3-1 "**Book-building for Participating Parties**" of this Prospectus).

Each Retail Investor who subscribes to the shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) shares. The minimum allocation per Retail Investor is ten (10) shares, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Retail Investor. In the event that the number of Retail Investors exceeds seven hundred and twenty thousand (720,000) Retail Investors, the minimum allocation cannot be guaranteed by the Company and the allocation shall be made in accordance with the instructions of the Company and the Financial Advisor. Excess subscription amounts (if any) will be refunded to Retail Investors without any charge or commission withheld by the related Receiving Entities. Notification of final allocation and the refund of excess subscription amounts (if any) will be made no later than 09/07/1443H (corresponding to 10/02/2022G) (for more information, please see the section "**Key Dates and Subscription Procedures**" on Page (xiii) and Section 16 "**Subscription Terms and Conditions**" of this Prospectus).

The Company has one class of ordinary shares. Each share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at the shareholders' general assemblies (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will be entitled to receive dividends declared by the Company as at the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for more information about the dividend distribution policy, please see Section 7 "**Dividend Distribution Policy**" of this Prospectus).

Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of the shares and an application to the Saudi Stock Exchange (the "**Exchange**" or "**Tadawul**") for the listing of such shares. All required documents have been submitted to the relevant authorities. All requirements have been met and all approvals relating to the Offering have been obtained, including this Prospectus. It is expected that trading in the shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of all relevant regulatory requirements (please see Section "**Key Dates and Subscription Procedures**" on page (xiii) of this Prospectus). Following the start of trading on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, Saudi and GCC companies, banks, and mutual funds as well as GCC nationals will be permitted to trade in the Offer Shares. Moreover, Qualified Foreign Investors (a "**QFI**") will be permitted to trade in the shares in accordance with the QFI Rules (as defined in Section 1 "**Definitions and Abbreviations**" of this Prospectus). Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom ("**Foreign Investors**") are also entitled to acquire economic benefits in the shares by entering into swap agreements with a capital market institution authorized by the CMA ("**Capital Market Institutions**" and each a "**Capital Market Institution**") to buy and trade in shares listed on the Exchange for the benefit of foreign investors. Under such swap agreements, the Capital Market Institutions will be registered as the legal owners of such shares.

Subscription to the Offer Shares involves risks and uncertainties. Therefore, persons who wish to subscribe for the Offer Shares must carefully read and consider the "**Important Notice**" section on page (i) and Section 2 "**Risk Factors**" of this Prospectus prior to making a decision to invest in the Offer Shares.

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the "CMA") and the application for the listing of securities in compliance with the Exchange's Listing Rules. The Directors, whose names appear on Page (iii), jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of this Prospectus.

This Prospectus is dated 18/05/1443H (corresponding to 22/12/2021G)

Financial Advisor, Lead Manager, Bookrunner, and Underwriter

الرياض المالية
riyad capital

Receiving Entities

SNB

بنك الرياض
riyad bank

العربي
anb

مصرف الراجحي
alrajhi bank

علم
Elm

Important Notice

This Prospectus contains complete detailed information about the Company and its subsidiaries (the "**Group**") as well as the Offer Shares. When submitting an application for the Offer Shares, Participating Parties and Retail Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available by visiting the websites of the Company (www.elm.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.riyadcapital.com).

With respect to the Offer Shares described in this Prospectus, Riyad Capital has been appointed by the Company as the Financial Advisor for the Offering (the "**Financial Advisor**"), the Lead Manager (the "**Lead Manager**"), the Bookrunner (the "**Bookrunner**"), and the Underwriter (the "**Underwriter**").

This Prospectus includes information provided in accordance with the OSCO Rules issued by the CMA. The Directors, whose names appear on page (iii), jointly and severally, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable inquiries as to the validity of the information contained in this Prospectus as at the date hereof, substantial portions of information regarding the market and industry have been derived from third party sources. While neither the Company nor any of the Directors, the Selling Shareholder or the Advisors whose names appear on Pages (v) and (vi) of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors have independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained herein as at the date hereof is subject to change. In particular, the financial position of the Company and the value of the shares may be adversely affected by future developments related to inflation, interest rates, taxation, or any other economic or political factors over which the Company has no control (for more information, please see Section 1 "**Risk Factors**" of this Prospectus). Neither the preparation of this Prospectus nor any verbal, written, or printed communication in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus shall not be regarded as a recommendation on the part of the Company, the Selling Shareholder or the Advisors to subscribe for the Offer Shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation, or particular investment needs of persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the benefits and risks of an investment in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others. Prospective investors should not rely on another party's decision whether to invest or not as a basis for their own examination of the investment opportunity or such party's circumstances.

Subscription to the Offer Shares in the Offering is restricted to investors in the following two tranches:

Tranche (A) Participating Parties: this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for more information, please see Section 1 "**Definitions and Abbreviations**" of this Prospectus).

Tranche (B) Retail Investors: this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit in the names of her minor children on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC natural investors, provided they have a bank account with one of the Receiving Entities and are allowed to open an investment account. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited, except for Participating Parties entitled to participate in the book-building process as specified under the Book-Building Instructions, taking into account the applicable laws and instructions. The Company, the Selling Shareholder and the Financial Advisor ask the recipients of this Prospectus to inform themselves of and observe any regulatory restrictions on the offering and sale of the Offer Shares.

Market and Industry Information

The information and data in Section 3 "**Market and Industry Information**" of this Prospectus, relating to the market and the industry in which the Company operates, were obtained from the market study report prepared on 29/10/1442H (corresponding to 10/06/2021G) by the Market Consultant, Arthur D. Little Saudi Arabia (the "**Market Consultant**").

Arthur D. Little Saudi Arabia, a subsidiary of Arthur D. Little Group, is an independent firm providing strategic market research services with a wide range of customers. It was founded in 1886G, and its head office is in Brussels, Belgium.

The Directors believe that the information and data from third party sources contained in this Prospectus, including those derived from the market study report prepared by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors (except for the Market Consultant) or the Selling Shareholder, and thus none of them bears any liability for the accuracy, validity, or completeness of such information or data.

Neither the Market Consultant, nor any of its shareholders, directors or relatives thereof holds any shareholding or any interest of any kind in the Company or any of its subsidiaries. The Market Consultant has given and, as at the date of this Prospectus, not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and form set out in this Prospectus.

Financial Information

The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and the reviewed interim financial statements for the six-month period ended 30 June 2021G and the notes thereto have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom in addition to other endorsed standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA). The consolidated financial statements for the financial year ended 31 December 2018G have been audited by KPMG Professional Consulting (formerly, KPMG Al Fozan & Partners) (the "2018**G Auditor**"). The consolidated financial statements for the financial years ended 31 December 2019G and 2020G and the reviewed interim statements for the six-month period ended 30 June 2021G have been audited by Deloitte and Touche & Co - Chartered Accountants (the "2019**G,** 2020**G and First Half** 2021**G Auditor**" and, together with the 2018G Auditor, the "**Auditors**"). The Company also appointed B.D.O (Mohamad Al Omary and Partners Company) as auditor for the Company for the nine months period ended at 30 September 2021G. These financial statements have been included in Section 18 "**Financial Statements and 'Auditors' Report**" of this Prospectus. The Company publishes its consolidated financial statements in Saudi Riyals.

Some financial and statistical information contained in this Prospectus have been rounded off to the nearest integer; therefore, if figures contained in the tables are added up, the total may not match that stated in the Prospectus.

Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of assumptions relating to the Company's information as derived from its market experience as well as publicly-available market information. Future operating conditions may differ from the assumptions used and, consequently, no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, all due diligence has been taken in preparing the statements contained in this Prospectus.

Certain forecasts in this Prospectus constitute or can constitute "**forward-looking statements**". Such statements can generally be identified by their use of forward-looking words such as "**plans**", "**determines**", "**intends**", "**estimates**", "**expects**", "**is expected**", "**may**", "**possibly**", "**will**", "**would be**" or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see Section 2 "**Risk Factors**" of this Prospectus). Should any one or more of these factors materialize or any underlying forecasts prove to be inaccurate or incorrect, the Company's actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the OSCO Rules, the Company shall submit a supplementary prospectus if, at any time after the date of publication of this Prospectus and prior to the completion of the Offering, the Company becomes aware that: (a) there has been a significant change in material matters contained in this Prospectus, or (b) additional significant matters have become known which would have been required to be included in this Prospectus. Except for these two cases, the Company does not intend to update or revise any information regarding the industry and market information included in the Prospectus, whether as a result of new information, future events, or otherwise. Based on the foregoing risks, assumptions, and other uncertainties, the forward-looking events and conditions described in this Prospectus may not occur as expected by the Company or at all. Consequently, Subscribers should review all forward-looking statements based on these explanations and should not rely solely on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain terms and abbreviations included in this Prospectus, please see Section 1 "**Definitions and Abbreviations**" of this Prospectus.

Corporate Directory

The Board of Directors

Table (1-1): The Company's Board of Directors

No.	Name	Position	Nation-ality	Age	Capacity	Direct Ownership (%)		Indirect Owner-ship (%)		Date of Appoint-ment*
						Pre-Of-fering	Post-Offering	Pre-Of-fering	Post-Offering	
1	Raed Abdul-lah Ibrahim bin Ahmed	Chair-man	Saudi	54 years	Non-Inde-pendent Non-Exec-utive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021)
2	Raed bin Abdullah bin Ismail Ismail	Vice Chair-man	Saudi	49 years	Non-Inde-pendent/ Non-Exec-utive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
3	Issam Abdullah Khalaf Al Waqit	Director	Saudi	46 years	Non-Inde-pendent/ Non-Exec-utive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021)
4	Abdullah Ab-dulrahman Abdulmohsin Al Rabiah	Director	Saudi	44 years	Non-Inde-pendent/ Non-Exec-utive	-	-	-	-	20/02/1443H (corresponding to 25/11/2021G)
5	AlShehana Saleh Abdul-lah Al Azzaz	Director	Saudi	35 years	Non-Inde-pendent/ Non-Exec-utive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
6	Abdullah bin Saad bin Mohammed Al Salem	Director	Saudi	37 years	Non-Inde-pendent/ Non-Exec-utive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
7	Vacant	Director	-	-	Indepen-dent/ Non-Exec-utive	-	-	--	-	-
8	Vacant	Director	-	-	Indepen-dent/ Non-Exec-utive	-	-	-	-	-
9	Vacant	Director	-	-	Indepen-dent/ Non-Exec-utive	-	-	-	-	-

*Dates listed in this table are the dates of appointment to the current positions on the Board of Directors. The biographies of the Directors state the dates the Directors were appointed to the Board or any other position (for more information, please see Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus).

Source: The Company

Company's Address

Elm Company
Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City
P.O. Box 67651 Riyadh 12382
Kingdom of Saudi Arabia
Tel.: +966 11 2887444
Fax: +966 11 2887555
Website: www.elm.sa
Email: info@elm.sa

Company Representatives

Raed bin Abdullah bin Ismail Ismail	**Abdulrahman bin Saad bin Saadan Al Jadhi**
Vice Chairman	CEO
Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City	Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City
P.O. Box 67651 Riyadh 12382	P.O. Box 67651 Riyadh 12382
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tel.: +966112887355	Tel.: +966 11 2887444 Ext: 7550
Fax: +966 11 2887555	Fax: +966 11 2887555
Website: www.elm.sa	Website: www.elm.sa
Email: rismail@b.elm.sa	Email: asj@elm.sa

Board Secretary

Fares bin Hamad bin Fares Al Fares
Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City
P.O. Box 67651 Riyadh 12382
Kingdom of Saudi Arabia
Tel.: +966 2887444
Fax: +966 2887555
Website: www.elm.sa
Email: fares@elm.sa

The Exchange

Saudi Tadawul (Tadawul)
King Fahd Road - Al Olaya 6897
Unit No.: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel.: +966 11 92000 1919
Fax: +966 11 218 9133
Website: www.saudiexchange.sa
E-mail: csc@saudiexchange.sa

Depository Centre

Securities Depository Center Company (Edaa)
King Fahd Road - Al Olaya 6897
Unit No. 11
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel.: +966 11 92002 600
Website: www.edaa.com.sa
E-mail: cc@edaa.com.sa

Advisors

Financial Advisor, Lead Manager, Bookrunner, and Underwriter
Riyad Capital 2414 - Al Shuhada District, Unit No. 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Tel.: +966 11 920012299 Fax: +966 11 4865908 Website: www.riyadcapital.com E-mail: ask@riyadcapital.com
Legal Advisor to the Company
Law Office of Salman M. Al-Sudairi King Fahad Highway Tatweer Tower - First Tower - 7th Floor P.O. Box 17411 Riyadh 11484 Kingdom of Saudi Arabia Tel.: +966 11 2072500 Fax: +966 11 2072577 Website: www.alsudairilaw.com.sa E-mail: info@alsudairilaw.com.sa
Financial Due Diligence Advisor
PricewaterhouseCoopers Chartered Accountants Kingdom Tower, 21st Floor P.O. Box 8282 Riyadh 11482 Kingdom of Saudi Arabia Tel.: +966 11 2110400 Fax: +966 11 2110401 Website: www.pwc.com/middle-east Email: info@pwc.com
2019G, 2020G and First Half 2021G Auditor
Deloitte and Touche & Co. – Chartered Accountants Prince Turki bin Abdullah Al Saud Road Sulaymaniyah District 213 Kingdom of Saudi Arabia Tel.: +966 11 2828400 Fax: +966 11 2828428 Website: www.deloitte.com Email: wsobahi@deloitte.co

2018G Auditor
KPMG Professional Consulting (formerly KPMG Al Fozan & Partners) KPMG Tower Riyadh Front, Airport Road P.O. Box 92876, Riyadh 11663 Kingdom of Saudi Arabia Tel.: +966 11 8748500 Fax: +966 11 8748600 Website: www.kpmg.com/sa Email: marketingsa@kpmg.com
Auditor for the Nine-Month Period Ended 30 September 2021G
BDO Dr Mohamad Al-Amri & co King Fahad Highway – Al Qamar Tower P.O Box 8736, Riyadh 11492 Tel: +966 11 2780608 Fax: +966 11 2782883 Website: www.alamri.com Email: info@alamri.com
Market Consultant
Arthur D. Little Saudi Arabia Office 502, 5th Floor, Entrance D The Plaza, Olaya Main Street P.O. Box 305005 Riyadh 11361 Kingdom of Saudi Arabia Tel.: +966 11 2930023 Fax: +966 11 2930490 Website: www.adl.com.sa Email: gm_ksa@adlittle.com

Note:

The above Advisors and Auditors have given and, as at the date of this Prospectus, not withdrawn their written consent to the publication of their names and logos in the Prospectus and the inclusion of their statements in the form and content appearing herein. Moreover, they do not themselves, or any of their subsidiaries, shareholders, directors, or relatives have any shareholding or interest of any kind in the Company or the subsidiaries as at the date of this Prospectus which would impair their independence.

Receiving Entities

Riyad Bank
Al Shuhada District
P.O. Box 22622, Riyadh 11416
Kingdom of Saudi Arabia
Tel.: +966 (11) 4013030
Fax: +966 (11) 4865909
Website: www.riyadbank.com
E-mail: customercare@riyadbank.com

Saudi National Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel.: +966126493333
Fax: +966126437426
Website: www.alahli.com
E-mail: contactus@alahli.com

Al Rajhi Bank
Olaya Street
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel.: +966116098888
Fax: +966116098888
Website: www.alrajhibank.com
E-mail: contactcenter1@alrajhibank.com

Arab National Bank
King Faisal Street
P.O. Box 56921, Riyadh 11564
Kingdom of Saudi Arabia
Tel.: +966114029000
Fax: +966114027747
Website: www.anb.com.sa
E-mail: info@anb.com.sa

Offering Summary

This summary is intended to provide a brief overview of the information on the Offering contained in this Prospectus. As such, it does not contain all the information that may be important to prospective investors in making a decision to invest in the Offer Shares. Accordingly, Subscribers should read this entire Prospectus in full, and any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, the "**Important Notice**" section on page (i) and Section 2 "**Risk Factors**" of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

Company Name, Description, and Incorporation	Elm Company is a Saudi one-person closed joint stock company incorporated pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), and registered in the Commercial Registry of Riyadh under No, 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G), with its registered address at P.O. Box 67651, Riyadh, Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City, 12382, Kingdom of Saudi Arabia. The Company was established on 24/10/1408H (corresponding to 09/06/1988G) as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value ten thousand Saudi Riyals (SAR 10,000) per share, and registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**". On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full divided into five million (5,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). On 24/03/1442H (corresponding to 10/11/2020G), the Company's Extraordinary General Assembly agreed to amend the Company's name from "**Al-Elm Information Security Company, a one-person closed joint stock company**" to "**Elm, a one-person closed joint stock company**" and increase the Company's capital from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty-five million (45,000,000) new shares in the Company through (a) the capitalization of thirty-three million, three hundred and thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings, and (b) the capitalization of four hundred and sixteen million, six hundred and sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in exchange for in-kind shares resulting from the acquisition of Tabadul. On 10/11/1442H (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. This increase was covered by capitalizing three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings. (For more information about the Company's history, please see Section 4-1-2 "**Corporate History and Evolution of Capital**" of this Prospectus.)
Company's Activities	In accordance with the Company's Bylaws and Commercial Registration, the Company's activities comprise the following: 1. providing telecommunications, information technology, information security, e-business, and credit information sharing services; 2. providing electronic connectivity services between the public sector and the private sector; 3. managing, equipping, operating, and maintaining data and information centres; 4. engaging in wholesale and retail trade in electronic hardware and mechanisms and their spare parts, software, information systems, and communication networks, and the import and export thereof; 5. managing, maintaining, operating and developing electronic hardware and mechanisms, information systems, and communication networks; 6. providing sites for purchasing and selling online; 7. providing, training, and developing the workforce to manage, operate, and develop public and private business and services in ICT and other fields; 8. obtaining commercial agencies related to the Company's purposes; 9. managing, marketing, and offering its projects or non-technology projects inside and outside the Kingdom; 10. providing all technology development, marketing, and investment activities and services; 11. providing management services for technology projects and supervising their implementation; 12. training in the field of technology development, marketing, and investment; 13. investing inside and outside the Kingdom in technology companies and projects; 14. attracting local and foreign investments to participate in any of the Company's activities; and 15. providing specialized consultation in technology work, information security, communications, e-business, and credit information sharing.

<table>
<tr>
<td>Subsidiaries</td>
<td>The Company has seven (7) subsidiaries, namely:
1. Saudi Company for Exchanging Digital Information (Tabadul), a Saudi closed joint stock company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010274503 dated 14/10/1430H (corresponding to 10/03/2009G), with a share capital of fifty million Saudi Riyals (SAR 50,000,000) divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company;
2. Emdad Al Khebrat, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010414975 dated 22/07/1435H (corresponding to 21/05/2014G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company;
3. Elm Technology Investment Company, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010599252 dated 16/02/1441H (corresponding to 15/10/2019G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company;
4. Umrah Premium Services Company, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010656805 dated 12/02/1442H (corresponding to 29/09/2020G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company;
5. Future Resources Limited, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010606896 dated 23/03/1441H (corresponding to 20/11/2019G), with a share capital of fifty thousand Saudi Riyals (SAR 50,000) divided into five thousand (5,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, of which 99.98% is owned by Elm Technical Investment Company and the remaining 0.02% is owned by Emdad Al Khebrat; and
6. Asdam Digital FZ LLC, a limited liability company incorporated and existing in Dubai and registered under Commercial Registration No. 99019 dated 09/02/1443H (corresponding to 16/09/2021G), with a share capital of fifty thousand Emirati dirhams (AED 50,000) divided into fifty (50) shares with a nominal value of one thousand Emirati dirhams (AED 1,000) per share, which is wholly owned by Future Resources.
7. Elm Arkan for Information Systems Technology, a company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010209530 dated 15/04/1436H (corresponding to 23/05/2005G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into five thousand (5,000) cash shares with a nominal value of one hundred (100) Saudi Riyals per share, of which 60% is owned by Future Resources Limited whereas the remaining 40% is owned by Saud Saad Saud AlArifi.</td>
</tr>
<tr>
<td>Substantial Shareholder</td>
<td>The Substantial Shareholder of the Company, who directly or indirectly owns 5% or more of the Company's shares, is the Public Investment Fund. The following table shows the Public Investment Fund's number of shares and ownership percentage in the Company pre-and post-Offering:

Table (1-2): The Substantial Shareholder, Number of its Shares and Ownership Percentage Pre-and Post-Offering
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Percentage</th><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Percentage</th></tr>
<tr><td>Public Investment Fund*</td><td>80,000,000</td><td>800,000,000</td><td>100%</td><td>53,600,000</td><td>536,000,000</td><td>67%</td></tr>
<tr><td>Total</td><td>80,000,000</td><td>800,000,000</td><td>100%</td><td>53,600,000</td><td>536,000,000</td><td>67%</td></tr>
</table>
*In parallel with the Offering, the Public Investment Fund will sell two million four hundred (2,400,000) shares based on the Offer Price to the Company to be used in the employee share program.
Source: The Company</td>
</tr>
<tr>
<td>Company's Capital</td>
<td>Eight hundred million Saudi Riyals (SAR 800,000,000) fully paid.</td>
</tr>
<tr>
<td>Total Number of the Company's Shares</td>
<td>Eighty million (80,000,000) fully paid ordinary shares.</td>
</tr>
</table>

Nominal Value per Share	Ten Saudi Riyals (SAR 10) per share.
Offering	The offering of twenty-four million (24,000,000) ordinary shares, representing 30% of the Company's capital, for public subscription, at an Offer Price of One hundred and twenty-eight Saudi Riyals (SAR 128) per share.
Total Number of Offer Shares	Twenty-four million (24,000,000) fully paid ordinary shares.
Percentage of Offer Shares to the Company's Capital	The Offer Shares represent 30% of the Company's share capital.
Offer Price	One hundred and twenty-eight Saudi Riyals (SAR 128).
Total Offering Value	Three billion seventy two million Saudi Riyals (SAR 3,072,000,000).
Use of Proceeds	The Offering Proceeds amounting to three billion thirty-six million and eighty-seven thousand seven hundred and thirty-one Saudi Riyals (SAR 3,036,087,731.92) (after deducting all the Offering costs and expenses estimated at thirty-five million nine hundred and twelve thousand two hundred and sixty-eight Saudi Riyals (SAR 35,912,268)), will be paid to the Selling Shareholder. The Company will not receive any part of the Offering Proceeds (for more information, please see Section 8 "**Use of Offering Proceeds**" of this Prospectus).
Number of Underwritten Offer Shares	Twenty-four million (24,000,000) ordinary shares.
Total Underwritten Offering Value	Three billion seventy two million Saudi Riyals (SAR 3,072,000,000).
Categories of Targeted Investors	Subscription to the Offer Shares shall be limited to two tranches of investors, as follows: Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please see Section 1 "**Definitions and Abbreviations**" of this Prospectus). Tranche (B): Retail Investors: This tranche comprises Saudi natural persons including any divorced or widowed Saudi woman having minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children on the condition that she proves that she is divorced or widowed and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC natural investors, provided that they have a bank account with one of the Receiving Entities and are entitled to open an investment account.
Total Offer Shares Available for Each Category of Targeted Investors	
Number of Offer Shares Available to Participating Parties	Twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event that Retail Investors subscribe for all the Offer Shares allocated thereto, the Financial Advisor, in consultation with the Company, shall have the right to reduce the number of shares allocated to Participating Parties to a minimum of sixteen million, eight hundred thousand (16,800,000) Offer Shares, representing 70% of the total Offer Shares.
Number of Offer Shares Available to Retail Investors	A maximum of seven million, two hundred thousand (7,200,000) Offer Shares, representing 30% of the Offer Shares.
Subscription Method for Each Category of Targeted Investors	
Subscription Method for Participating Parties	Participating Parties, as defined in Section 1 "**Definitions and Abbreviations**" of this Prospectus, may apply for subscription. The Bookrunner will provide the Bid Form to Participating Parties during the book-building process. Upon initial allocation, the Bookrunner will provide Subscription Application Forms to Participating Parties, who are required to complete them in accordance with the instructions set out in Section 16 "**Subscription Terms and Conditions**" of this Prospectus).
Subscription Method for Retail Investors	Subscription Application Forms will be available for Retail Investors during the Offering Period on the websites of the Receiving Entities and at some Receiving Entities branches. Subscription Application Forms must be completed in accordance with the instructions mentioned in Section 16 "**Subscription Terms and Conditions**" of this Prospectus) and submitted to one of the branches of the Receiving Entities. Retail Investors can also subscribe through the internet, telephone banking, or ATMs of the Receiving Entities that offer any or all such services to its customers, provided that: (a) the Investor has a bank account at a Receiving Entity which offers such services; and (b) there have been no changes in the personal details of the Retail Investor since their subscription in a recent offering.

Minimum Number of Offer Shares to be Applied for by Each Category of Targeted Investor	
Minimum Number of Offer Shares to be Applied for by Participating Parties	One hundred thousand (100,000) shares.
Minimum Number of Offer Shares to be Applied for by Retail Investors	Ten (10) shares.
Minimum Subscription Amount for Each Category of Target Investors	
Minimum Subscription Amount for Participating Parties	Twelve million eight hundred thousand Saudi Riyals (SAR 12,800,000).
Minimum Subscription Amount for Retail Investors	One thousand two hundred and eighty Saudi Riyals (SAR 1,280).
Maximum Number of Offer Shares to be Applied for by Each Category of Targeted Investor	
Maximum Number of Offer Shares to be Applied for by Participating Parties	Three million, nine hundred ninety-nine thousand, nine hundred ninety-nine (3,999,999) shares.
Maximum Number of Offer Shares to be Applied for by Retail Investors	Two hundred and fifty thousand (250,000) shares.
Maximum Subscription Amount for Each Category of Targeted Investor	
Maximum Subscription Amount for Participating Parties	Five hundred and eleven million nine hundred and ninety-nine thousand eight hundred and seventy-two Saudi Riyals (SAR 511,999,872).
Maximum Subscription Amount for Retail Investors	Thirty two million Saudi Riyals (SAR 32,000,000).
Allocation and Refund of Excess Subscription Amounts for Each Category of Targeted Investor	
Allocation Method for Participating Parties	Initial allocation will be made as the Financial Advisor deems appropriate in coordination with the Company, using the discretionary share allocation mechanism. Final allocation of the Offer Shares to Participating Parties shall be made through the Financial Advisor after the completion of subscription by Retail Investors. Participating Parties will initially be allocated twenty-four million (24,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event that Retail Investors subscribe for all Offer Shares allocated thereto, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of sixteen million, eight hundred thousand (16,800,000) Offer Shares, representing 70% of the total Offer Shares.
Allocation Method for Retail Investors	Allocation of the Offer Shares to Retail Investors is expected to be made no later than Tuesday, 07/07/1443H (corresponding to 08/02/2022G). The minimum allocation per Retail Investor is ten (10) shares, and the maximum allocation per Retail Investor is two hundred and fifty thousand (250,000) shares. The remaining Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Investor. In the event that the number of Retail Investors exceeds seven hundred and twenty thousand (720,000), the Company does not guarantee the minimum allocation and the Offer Shares will be allocated as determined by the Company and the Financial Advisor (for more information, please see Section 16 "**Subscription Terms and Conditions**" of this Prospectus).
Refund of Excess Subscription Amounts	Excess subscription amounts, if any, will be refunded to the Subscribers in whole without any commissions or deductions and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. Announcement of the final allocation and refund of subscription amounts will be made no later than Thursday, 09/07/1443H (corresponding to 10/02/2022G) (for more information, please see Section 16 "**Subscription Terms and Conditions**" of this Prospectus).

Offering Period	The Offering Period will commence on Thursday, 02/07/1443H (corresponding to 03/02/2022G) and end on Sunday, 05/07/1443H (corresponding to 06/02/2022G). (For more details, please the "**Important Dates and Subscription Procedures**" section on page (xiii) of this Prospectus.)
Entitlement to Dividends	The Offer Shares will be entitled to receive any dividends declared and paid by the Company as at the date of this Prospectus and for subsequent financial years (for more information, please see Section 7 "**Dividend Distribution Policy**" of this Prospectus).
Voting Rights	The Company has one class of ordinary shares only. None of the shares carry any preferential voting rights. Each share entitles its holder to one vote. Each Shareholder has the right to attend and vote in General Assembly meetings, and may delegate another Shareholder that is not a Director to attend General Assembly meetings and vote on their behalf (for more information about voting rights, please see Section 12-5 "**Summary of Company's Bylaws**" of this Prospectus).
Restrictions on the Shares (Lock-up Period)	The Public Investment Fund will be subject to a lock-up period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. During the Lock-up Period, the Public Investment Fund may not dispose of its shares. At the end of such period, it may dispose of its shares without the prior approval of the CMA (for more information about the Public Investment Fund's ownership percentage in the Company, please see Section 5-1 "**Ownership Structure of the Company**" of this Prospectus).
Shares Previously Listed by the Company	Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. An application has been made by the Company to the CMA for registration and offer of the shares in accordance with the OSCO Rules. The Company also submitted an application to the Exchange for admission to listing in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been granted, and all supporting documents required by the CMA have been obtained. It is expected that trading in the shares will commence on the Exchange shortly after the final allocation of the Offer Shares (for more information, please see the section "**Key Dates and Subscription Procedures**" on page (xiii) of this Prospectus).
Risk Factors	There are certain risks related to investment in the Offer Shares. Such risks can be classified as follows: 1. Risks related to the Company's activity and operations. 2. Risks related to the market and industry in which the Group operates. 3. Risks related to the Offer Shares. These risks are described in Section 2 "**Risk Factors**" of this Prospectus, and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The expenses and costs related to the Offering will be fully borne by the Selling Shareholder, and will be deducted from the Offering Proceeds. The offering expenses are estimated to be approximately thirty-five million nine hundred and twelve thousand two hundred and sixty-eight Saudi Riyals (SAR 35,912,268), including the fees of the Financial Advisor, Bookrunner, Lead Manager, Underwriter, Legal Advisor, Auditors, Due Diligence Advisor, and Market Consultant, in addition to the fees of the Receiving Entities and marketing, printing, distribution, and other expenses related to the Offering.
Underwriter	**Riyad Capital** 2414 - Al Shuhada District, Unit No. 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Tel.: +966 11 920012299 Fax: +966 11 4865908 Website: www.riyadcapital.com E-mail: ask@riyadcapital.com

Note: The section "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" of this Prospectus should be carefully considered prior to making a decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Key Dates

Table (1-3): Expected Offering Timetable

Event	Date
Bidding and book-building period for Participating Parties	A period of six (6) days, commencing on Sunday 20/06/1443H (corresponding to 23/01/2022G) and ending on Friday 25/06/1443H (corresponding to 28/01/2022G).
Subscription Period for Retail Investors	A period of four (4) days, commencing on Thursday 02/07/1443H (corresponding to 03/02/2022G) and ending on Sunday 05/07/1443H (corresponding to 06/02/2022G).
Deadline for submission of Subscription Application Forms based on the Offer Shares provisionally allocated to Participating Parties	Thursday, 02/07/1443H (corresponding to 03/02/2022G).
Deadline for payment of the subscription amounts for Participating Parties based on the number of provisionally allocated Offer Shares	Sunday, 05/07/1443H (corresponding to 06/02/2022G).
Deadline for submission of Subscription Application Forms and payment of subscription amounts for Retail Investors	Sunday, 05/07/1443H (corresponding to 06/02/2022G).
Announcement of the final allotment of the Offer Shares	Tuesday, 07/07/1443H (corresponding to 08/02/2022G).
Refund of excess subscription amounts (if any)	Thursday, 09/07/1443H (corresponding to 10/02/2022G).
Expected date of commencement of trading in the Exchange	Trading of the Company's shares on the Exchange is expected to commence after all relevant regulatory requirements are satisfied. Trading will be announced on the Saudi Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of the Exchange (www.saudiexchange.sa), the Financial Advisor (www.riyadcapital.com) and the Company (www.elm.sa).

How to Apply

Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:

A. Participating Parties:

This tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please see Section 1 "**Definitions and Abbreviations**" of this Prospectus).

B. Retail Investors:

This tranche comprises Saudi natural persons including any divorced or widowed Saudi woman having minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children on the condition that she proves that she is divorced or widowed and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC natural investors, provided that they have a bank account with one of the Receiving Entities and are entitled to open an investment account.

Below is a brief summary of the subscription method for Participating Parties and Retail Investors:

A. Participating Parties:

Participating Parties can obtain Bid Forms from the Bookrunner during the book-building period and Subscription Application Forms from the Bookrunner after the provisional allocation. The Financial Advisor shall, after obtaining the approval of the CMA, offer the Offer Shares to Participating Parties only during the Book-Building Period. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes the Retail Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner, which represents a legally binding agreement between the Selling Shareholder and the Participating Party submitting the application.

B. Retail Investors:

Retail Investor Subscription Application Forms will be available during the Offering Period on the websites of the Receiving Entities offering this service. Retail Investors can also subscribe through the internet, telephone banking or ATMs of the Receiving Entities offering any or all such services to Retail Investors, provided that the following requirements are satisfied:

- a Retail Investor must have a bank account with the Receiving Entity which offers such service; and
- there have been no changes to the personal information or data of the Retail Investor since their subscription in a recent offering.

Subscription Application Forms must be completed in accordance with the instructions set out in Section 16 "**Subscription Terms and Conditions**" of this Prospectus. Each applicant must complete all relevant items of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event that any of the subscription terms and conditions are not met. Amendments to and the withdrawal of the Subscription Application Form shall not be permitted once it has been submitted. The submission of a Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholder (for more information, please see Section 16 "**Subscription Terms and Conditions**" of this Prospectus).

Excess subscription amounts, if any, will be refunded to the main Investor's account held with the Receiving Entity from which the subscription value was debited, without any commissions or deductions by the Lead Manager or the Receiving Entities. Excess subscription amounts shall not be refunded in cash or to third-party accounts.

For more information regarding subscription by Retail Investors and Participating Parties, please see Section 16 "**Subscription Terms and Conditions**" of this Prospectus.

Summary of Key Information

This summary is intended to provide a brief overview of the information detailed in this Prospectus. This summary does not include all information which may be important to prospective investors and that must be taken into consideration before deciding to invest in the Offer Shares. Therefore, those who wish to subscribe to the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, the "**Important Notice**" section on page (i) and Section 2 "**Risk Factors**" of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

Overview of the Company

Elm Company is a Saudi one-person closed joint stock company converted pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), and registered in the Commercial Registry of Riyadh under No. 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G), with its registered address at P.O. Box 67651, Riyadh, Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City, 12382, Kingdom of Saudi Arabia.

The Company was established on 24/10/1408H (corresponding to 09/06/1988G) as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value of ten thousand Saudi Riyals (SAR 10,000) per share, registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**". On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full divided into five million (5,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). On 24/03/1442H (corresponding to 10/11/2020G), the Company's Extraordinary General Assembly agreed to amend the Company's name from "**Al-Elm Information Security Company, a one-person closed joint stock company**" to "**Elm, a one-person closed joint stock company**" and increase the Company's capital from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty-five million (45,000,000) new shares in the Company through (a) the capitalization of thirty-three million, three hundred and thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings, and (b) the capitalization of four hundred and sixteen million, six hundred and sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in exchange for in-kind shares resulting from the acquisition of Tabadul. On 10/11/1442H (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. This increase was covered by capitalizing three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings (for more information about the Company's history, please see Section 4-1-2 "**Corporate History and Evolution of Capital**" of this Prospectus).

The Company is a leading provider of integrated digital solutions, especially in the adoption of e-government services. The Company offers a wide range of ready-made and customized digital solutions in many fields through diverse and flexible business models that fulfil customers' needs. Ready-made solutions include products that serve a wide range of customers, to which they can subscribe through various packages that suit each customer according to their needs. Customized solutions include projects that the Company provides to its customers according to their own needs, desires, and ambitions. The Company's business includes:

- **Product Suite:** Ready-to-use solutions in the form of technology services, portals, electronic applications and related support work developed by the Company in cooperation with a large number of public and private institutions to provide integrated services that cover a large segment of society, by creating advanced services that solve an existing problem or fill an existing service gap through converting traditional procedures into electronic transactions.
- **Digital Custom Solution:** Includes integrated technology business, "**Estihkak**" engines and digital platforms, through which the Group provides integrated technology business solutions to public and private customers.
- **Professional Services:** Includes consulting and professional services in data analysis and artificial intelligence, through which the Group gains an understanding of the institution's problems and develops a comprehensive business plan to develop its general performance and improve customer satisfaction.

- **Business Process Outsourcing:** The Group seeks, through the Business Process Outsourcing segment, to enhance its competitive advantage in terms of both operation and service delivery in the specialization areas through the management and full operation or partial support of services in specific areas and the gradual shift to digital visualization.
- **Nationalization and Upskilling:** The Group, through the Nationalization and Upskilling Department, qualifies national cadres to the highest international standards, whether they are job seekers or on-the-job employees, through tight recruitment processes to fill available vacancies in the labour market.
- **Tabadul:** Tabadul develops digital solutions for the logistics sector to increase efficiency and transparency and enhance operational performance. Tabadul has developed a number of logistical and financial solutions, including the Fasah and Wethaq platforms.
- **Emdad Al Khebrat:** Emdad Al Khebrat provides specialized and non-specialized human resources services on a large scale to various public and private entities in the Kingdom. Emdad Al Khebrat also provides qualified human resources under contract in order to support its customers in the implementation of their major projects. In addition, Emdad Al Khebrat manages call centres and service centres, provides consulting services in electronic business and operation and maintenance services, and imports, exports, and sells hardware, equipment, software, and systems.

Principal Activities of the Company

The principal activities of the Company are concentrated in the digital services sector. Pursuant to its Bylaws, the Company's principal activities include:

- providing telecommunications, information technology, information security, e-business, and credit information sharing services;
- providing electronic connectivity services between the public sector and the private sector;
- managing, equipping, operating, and maintaining data and information centres;
- engaging in wholesale and retail trade in electronic hardware and mechanisms and their spare parts, software, information systems, and communication networks, and the import and export thereof;
- managing, maintaining, operating and developing electronic hardware and mechanisms, information systems, and communication networks;
- providing sites for purchasing and selling online;
- providing, training, and developing the workforce to manage, operate, and develop public and private business and services in ICT and other fields;
- obtaining commercial agencies related to the Company's purposes;
- managing, marketing, and offering its projects or non-technology projects inside and outside the Kingdom;
- providing all technology development, marketing, and investment activities and services;
- providing management services for technology projects and supervising their implementation;
- training in the field of technology development, marketing, and investment;
- investing inside and outside the Kingdom in technology companies and projects;
- attracting local and foreign investments to participate in any of the Company's activities; and
- providing specialized consultation in technology work, information security, communications, e-business, and credit information sharing.

Ownership Structure of the Company

The following table sets out the ownership structure of the Company pre-and post-Offering:

Table (1-4): Ownership Structure of the Company Pre- and Post-Offering

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares	Total Nominal Value (SAR)	Percentage	Number of Shares	Total Nominal Value (SAR)	Percentage
1	Public Investment Fund	80,000,000	800,000,000	100%	53,600,000	536,000,000	67%
2	Public	-	-	-	24,000,000	240,000,000	30%
3	Treasury shares*	-	-	-	2,400,000	2,4000,000	3%
Total		**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

* In parallel with the Offering, the Public Investment Fund will sell two million four hundred (2,400,000) shares based on the Offer Price to the Company to be used in the employee share program.

Source: The Company

The Company's Vision, Mission, and Strategy

Mission

The Company's mission is to innovate in order to empower communities and make life easier.

Vision

The Company's vision is to be the digital enabler of the government and business sectors in the Kingdom and the region.

Strategy

The Company seeks to be the first digital enabler in the region by developing digital solutions such as platforms and products and implementing digital projects and Business Process Outsourcing solutions related to the Company's business, while providing supportive advisory services in the digital fields and the surrounding business fields. The Company also aspires to expand its business through partnerships and acquisitions and enter into new markets, in addition to adopting and supporting innovation and increasing sources of innovation inside and outside the Company.

The Company's strategy is based on five key pillars:

- **Pillar** 1: being customer centric by building multi-channel solutions that provide a homogeneous and comprehensive customer experience while maintaining service quality across all different channels;
- **Pillar** 2: developing digital platforms and multiple digital solutions for a number of public and private entities targeting multiple segments of users in a way that ensures the Company's growth and the sustainability of its revenues;
- **Pillar** 3: achieving strategic partnership-based growth by establishing strategic partnerships or acquisitions with specialized companies or developing partnerships with successful companies;
- **Pillar** 4: encouraging innovation and adopting new innovative methods by focusing on the product, being customer-centric, and activating flexibility, in addition to benefiting from various sources of innovation and working with research and development companies to come up with innovative solutions and products; and
- **Pillar** 5: expanding internationally by exporting digital solutions, platforms and other Company services to international markets, in addition to entering into acquisitions and strategic partnerships in target markets.

Values

The Company's values are as follows:

- **Trust:** Promoting honesty, integrity, and openness among employees, partners, and customers.
- **Customer-centric:** Putting the customer's journey at the heart of every product and service.
- **Innovation:** Taking initiative and thinking outside the box to satisfy the Company's partners and customers.
- **Flexibility:** Unleashing the capabilities of employees to quickly respond to satisfy the Company's customers.
- **Reliability:** Showing commitment to employees and fulfilling the Company's promises to customers and partners.

Strengths and Competitive Advantages

Deep Relationships with Customers

The Company has established strong and solid relationships with its various customers including Saudi government entities and the private sector. The Company has strived to strengthen and maintain such relationships.

Reliable Trademark and Outstanding Capabilities

The Company is recognized as a reliable service provider that is well-positioned to execute major projects. The Company's trademark has a prominent position across the Kingdom and it is also known for its remarkable positive impact on society (such as: the Absher platform).

Integrated Comprehensive Capabilities

The Company has a variety of abilities and capabilities from the first stages of design to implementation. The Company has all the necessary capabilities to provide comprehensive and integrated services. The Company's unique capabilities include its specialized human and technical capabilities that enable the Company to develop and operate comprehensive digital platforms and solutions for customers (such as: Absher, Tamm, Yakeen, and Rabt). The Company has strong relationships with a wide variety of government and private entities in the Kingdom, such as financial institutions that include banks, insurance companies, and regulatory authorities.

Market and Industry Overview

The conclusions described in this Prospectus are based on the analysis performed by the Market Consultant's team assigned to prepare the market study. The Market Consultant relied, in part, on analysing materials and information collected from research institutions, government entities, and their network of experts and on other sources and information from publicly-available sources.

The Market Consultant has strived to harness the best of their capabilities and experience to absorb the various available market data to reflect the impact of COVID-19 pandemic on the market. However, it is difficult to predict the different consequences of the pandemic on all stakeholders in the economic system. The far-reaching structural impact of the pandemic on the economy and industrial growth trends around the world is widely known. Due to the uncertainty of the pandemic and its continuing impact, actual market trends may differ significantly from the expectations and forecasts mentioned.

Global Trends in the Digital/ICT Industries

Several major technology trends have contributed to shaping the IT and digital industries globally. This is evident in major companies operating in the field of digitization. These technologies include (without limitation):

a) artificial intelligence solutions and services;

b) cloud computing and data centres;

c) communication and chatting platforms;

d) edge computing;

e) augmented/virtual reality;

f) blockchain platforms;

g) robot-based solutions;

h) 3D printing platforms; and

i) cyber security.

The adoption of these technologies is likely to increase in the Kingdom as they hold promising future growth opportunities for companies operating in the digital industry and possess capabilities that enable them to develop and provide integrated and comprehensive solutions.

Overview of the Kingdom's Macroeconomic Performance

The Kingdom is the largest contributor to economic growth in the Middle East and North Africa region, with an estimated nominal GDP of SAR 2,975.5 billion (USD 792.9 billion), and a population of 34.2 million in 2019G. The discovery of large oil reserves in the middle of the 20th century contributed to the development of the Kingdom's economy and society at a rapid pace. The revenues of the oil sector contributed to preserving the Kingdom's strong economic growth and maintaining its living standards. In 2019G, the Kingdom was ranked as the largest oil exporter in the world and the third largest oil producer, with the oil sector accounting for 42% of its GDP. The Kingdom's per capita GDP was about SAR 86,890 (USD 23,140) in 2019G.

The Kingdom's non-oil revenues were affected by the restrictions imposed on local industries in 2020G, due to the COVID-19 pandemic. Oil revenues decreased due to the lower demand for oil across the world. As there was an excess of supply, the Organization of the Petroleum Exporting Countries (OPEC) and the member states of the OPEC+ Agreement (an agreement comprising 23 oil-exporting countries, of which 13 are OPEC members) have applied maximum oil production limits.

Due to the Kingdom's reliance on oil to finance its general budget and support local economic activity, the Kingdom's GDP shrank by 4.1% in 2020G. However, the Kingdom's GDP is expected to recover and grow by over 3.2%, 3.4% and 3.5% in 2021G, 2022G, and 2023G, according to the data of the General Authority for Statistics in the Kingdom.

There are many factors that are expected to affect the pace of economic recovery and the general future growth of the Kingdom, including:

a) the global course in dealing with the pandemic and the success in managing vaccination programs and containing the pandemic;

b) the recovery of demand for crude oil and the increase in its prices; and

c) the transition to clean energy.

In addition, it was estimated that the inflation rate in the Kingdom would rise to 3.4% in 2020G, according to data published by the General Authority for Statistics. The impact of lower oil prices on the Kingdom's revenues and expenditures was adversely reflected in economic activity, which in turn affected the expected inflation rate. However, these effects were mitigated by an increase in the VAT rate, which was increased from 5% to 15% in July 2020G. This increase in VAT resulted in a significant increase in the costs of basic goods and services, along with the increasing pressures that the pandemic has placed on global supply chains and logistics.

Overview of the Kingdom's Population

The Kingdom's population is expected to grow to 34.8 million by the end of 2020G, i.e. an annual population growth rate of 1.7% compared to 2019G. The following table shows projections on the Kingdom's population and growth:

Table (1-5): Overview of the Kingdom's Population

#	2016G	2017G	2018G	2019G	2020G Expected
Total population (million)	31.8	32.6	33.4	34.2	34.8
Annual growth rate (%)	N/A	2.60%	2.46%	2.41%	1.74%

Source: General Authority for Statistics and the United Nations

Generally, there is a gender imbalance in the demographics of the Kingdom. The main reason is the presence of a large number of male expatriates working in the Kingdom (especially in the low to middle income population segments). Apart from expatriates, the numbers of Saudi nationals of both genders are largely equal, in line with similar wealthy countries.

In the Kingdom, the focus of public policies is directed towards stimulating the creation of job opportunities for citizens by consolidating measures aimed at raising Saudisation rates in the labour market. These include measures taken since November 2012G, which impose monthly fees on foreign workers in private companies that employ large numbers of foreign workers. Such fees increased in 2018G and 2020G to SAR 300-400 (USD 80-107) and SAR 700-800 (USD 187-213) for each foreign worker, respectively. These measures, including an increase in fees imposed on expatriate workers, have reduced pressure on the Kingdom's general demographics.

Another Saudisation initiative is the localization of 70% of all jobs in 12 specific activities in the retail and wholesale sectors to increase the appointment percentage of Saudi nationals in these jobs. The Kingdom's efforts to promote Saudisation initiatives are expected to continue in the future. According to GASTAT, the Saudi unemployment rate decreased to 12.6% in the fourth quarter of 2020G, and the labour force participation rate of Saudis increased to 51.2% in the fourth quarter of the same year. The Kingdom's unemployment rate also decreased to 7.4% in the fourth quarter of the year 2020G, compared to 8.5% in the third quarter of the same year. Moreover, the unemployment rate of Saudis decreased to 12.6% in the fourth quarter of 2020G, compared to 14.9% in the third quarter of the same year.

With regard to the population distribution by age group, the Kingdom's demographics tend towards the younger age groups, with the 0-14-year-old group accounting for the largest proportion of the population, followed by the 25-44-year-old group. This population distribution indicates that the largest proportion of the Kingdom's population is the millennial and younger generations. The Kingdom can benefit from the low dependency ratio among the younger generations and the elderly. This is likely to continue in the near future because most of the Kingdom's population is young in general.

Summary of Financial Information

The financial information and KPIs set out below should be read in conjunction with the Company's audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and the reviewed interim financial statements for the six-month period ended 30 June 2021G and the accompanying notes thereto, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom and the standards and other pronouncements issued by the Saudi Organization for Certified Public Accountants in Section 18 "**Financial Statements and Certified Accountants' Report**" of this Prospectus. The consolidated financial information for the financial years ended 31 December 2018G and 2019G was derived from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2019G and the consolidated financial statements for the financial year ended 31 December 2020G.

Table (1-6): Summary of Financial Information and KPIs for the Financial Years Ended 31 December 2018G, 2019G and 2020G and the Six-Month Period Ended 30 June 2021G

(SAR'000)	Financial Year 2018G Audited	Financial Year 2019G Audited	Financial Year 2020G Audited	Six-Month Period Ended 30 June 2021G Unaudited
Statement of income				
Revenue	1,925,710	2,102,019	2,466,065	1,791,423
Cost of revenue	(1,206,406)	(1,420,651)	(1,639,491)	(1,210,033)
Gross profit	719,304	681,368	826,574	581,390
Selling and marketing expenses	(70,185)	(84,355)	(76,927)	(42,725)
ECL provision	(4,901)	-	(35,489)	(57,277)
General and administrative expenses	(217,023)	(209,649)	(246,938)	(125,237)
Depreciation and amortization	(67,828)	(86,857)	(111,611)	(53,234)
Operating profit	359,367	300,507	355,609	302,917
Finance expenses	(4,556)	(4,898)	(6,374)	(2,919)
Returns on short term deposits	3,255	12,149	10,923	4,671
Net share in results of associates	-	-	104	19
Change in fair value through profit or loss (FVTPL)	-	-	3,596	20,533
Other income (expenses)	6,267	(576)	8,413	(3,150)
Net profit before Zakat	364,333	307,182	372,271	322,071
Zakat	-	-	(65,690)	(43,052)
Net income	364,333	307,182	306,581	279,019
Statement of financial position				
Non-current assets	421,296	592,007	731,192	758,047
Current assets	2,033,983	2,220,068	3,281,999	3,828,514
Total assets	2,455,279	2,812,075	4,013,191	4,586,561
Total equity	1,212,307	1,509,562	2,233,936	2,512,955
Non-current liabilities	264,677	401,403	403,911	399,722
Current liabilities	978,295	901,110	1,375,344	1,673,884
Total liabilities	1,242,972	1,302,513	1,779,255	2,073,606
Total liabilities and equity	2,455,279	2,812,075	4,013,191	4,586,561

(SAR'000)	Financial Year 2018G Audited	Financial Year 2019G Audited	Financial Year 2020G Audited	Six-Month Period Ended 30 June 2021G Unaudited
Statement of cash flows				
Net cash flow (used in) from operating activities	479,286	220,399	723,518	(69,608)
Net cash flow (used in) from investing activities	(368,666)	(219,337)	283,346	(82,999)
Net cash flow (used in) from financing activities	(402,279)	(90,696)	(98,374)	(59,581)
Cash and cash equivalents at the end of the year	194,462	104,828	1,013,318	801,130
KPIs				
Gross profit margin	37.35%	32.41%	33.52%	32.45%
Operating profit margin	18.66%	14.30%	14.42%	16.91%
Net profit margin	18.92%	14.61%	12.43%	15.58%
Return on equity	30.05%	20.35%	13.72%	11.10%
Return on assets	14.84%	10.92%	7.64%	6.08%
Current assets/current liabilities	2.08	2.46	2.39	2.78
Liabilities/equity	1.03	0.86	0.80	0.83

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, the reviewed interim statements for the six-month period ended 30 June 2021G, and Management analyses.

Summary of Risk Factors

Below is a summary of the risk factors related to in investing in the Offer Shares. However, this summary does not contain all the information that may be important to investors. Therefore, investors who wish to subscribe to the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole. In particular, the "**Important Notice**" section on page (i) and Section 2 "**Risk Factors**" of this Prospectus must be carefully considered before deciding to invest in the Offer Shares. Subscribers should not rely solely on this summary.

Risks Related to the Company's Business:

1) Risks related to the concentration of the Company's customers in government and semi-government entities.
2) Risks related to the reliance of some of the Company's business on government data.
3) Risks related to the Absher platform.
4) Risks related to attracting new customers and retaining existing customers.
5) Risks related to income sharing for the services provided under a large number of the Company's material agreements.
6) Risks related to pricing and incorrectly estimating the cost of services and the complexity of performing services.
7) Risks related to the sustainability of the Company's revenue growth and profitability.
8) Risks related to the collection of receivables.
9) Risks related to the expansion of the Company's business.
10) Risks related to rapidly-evolving technological developments and customer demand.
11) Risks related to marketing and sales.
12) Risks related to the quality of the Company's products, platforms, and solutions.
13) Risks related to undetected errors or defects in products or solutions.
14) Risks related to the failure of the Company's information technology systems and data centres.
15) Risks related to cyber-attacks.
16) Risks related to protection of the Company's intellectual property rights.
17) Risks related to protection of the Company's reputation and trademark.
18) Risks related to third-party intellectual property rights.
19) Risks related to open-source software.
20) Risks related to dependence on the senior management team.
21) Risks related to the ability to attract and retain highly skilled digital services professionals.
22) Risks related to reliance on technology partners, suppliers, service providers, and subcontractors.
23) Risks related to the failure to successfully implement future strategies on time or at all.
24) Risks related to recent or future acquisitions.
25) Risks related to the Company's investments and strategic partnerships.
26) Risks related to the inadequacy of insurance coverage.
27) Risks related to licenses, certificates, permits, and approvals.
28) Risks related to employee misconduct and errors.
29) Risks related to Related Party Transactions.
30) Risks related to litigation.
31) Risks related to financing.
32) Risks related to the Company's real estate properties.
33) Risks related to the Company's non-compliance with the Corporate Governance Regulations.

34) Risks related to lack of experience managing a joint stock company listed on the Exchange.

35) Risks related to accounting estimates and assumptions and revenue recognition.

36) Risks related to contract assets/contract liabilities.

37) Risks related to a mismatch between costs incurred for a project and collection of revenue from certain projects.

38) Risks related to working capital.

Risks Related to the Industry in Which the Company Operates:

39) Risks related to competition.

40) Risks related to changes in the regulatory environment.

41) Risks related to data protection and cyber security systems.

42) Risks related to compliance with Saudisation requirements.

43) Risks related to the Kingdom and the global economy.

44) Risks related to political instability and security concerns in the region.

45) Risks related to the outbreak of COVID-19 or any other infectious disease.

46) Risks related to foreign exchange rates.

47) Risks related to tax and Zakat.

48) Risks related to floods, earthquakes, and other natural disasters or disruptive acts.

49) Risks related to competition.

50) Risks related to increased costs.

Risks Related to the Offer Shares:

51) Risks related to effective control post-Offering by the Public Investment Fund.

52) Risks related to the absence of a prior market for the shares

53) Risks related to fluctuations in the market price of the shares.

54) Risks related to the Company's ability to distribute dividends.

55) Risks related to selling a large number of shares on the Exchange.

56) Risks related to research published about the Company.

57) Risks related to non-qualified foreign investors not being able to directly hold shares.

58) Risks related to investment in emerging markets.

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Figure Index

1- Definitions and Abbreviations

Advisors	The Company's advisors for the Offering, whose names appear on pages (v) and (vi) of this Prospectus.
AI	Certain behaviours and characteristics of computer software that makes it mimic mental abilities and behave like a human being.
Auditors	The 2018G Auditor, KPMG Professional Consulting (formerly KPMG Al Fozan & Partners) and the Chartered Accountant for 2019G, 2020G and H1 2021G (Deloitte and Touche & Co - Chartered Accountants).
Bid Form	The bid form to be used by Participating Parties to bid for the Offer Shares during the Book-Building Period. This term includes, when applicable, the appended bid form when the price range is changed.
Big Data	A set of data that is too large or complex to be stored or processed by one of the traditional data management tools or applications.
Blockchain	A distributed database that maintains a continuously growing list of ordered records, called blocks.
Board or Board of Directors	The Company's Board of Directors.
Book Building Instructions	The Instructions on Book Building and Allocation of Shares in Initial Public Offerings issued by CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Bookrunner	Riyad Capital.
Business day	Any day on which the Receiving Entities are open in the Kingdom (except for Fridays and Saturdays and any official holidays).
Bylaws	The Company's Bylaws approved by the General Assembly.
Capital Market Institution	A capital market institution authorized by the CMA to engage in the securities business.
Cloud Computing	Computer resources and systems available on demand over the web, which can provide a number of integrated computer services without being restricted to local resources for the user's convenience. These resources include space for data storage, backup and self-synchronization, as well as software processing capabilities, task scheduling, push e-mail and remote printing. When the user is connected to the web, the user can control these resources through an easy software interface that facilitates and avoids many details and internal processes.
CMA	The Saudi Capital Market Authority.
CML	The Capital Market Law promulgated by Royal Decree No M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Companies Law	The Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
Company or Issuer	Elm Company.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA Board, pursuant to the Companies Law, by virtue of Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), as amended by CMA Board Resolution No. 1-7- 2021G dated 01/06/1442H (corresponding to 14/01/2021G).
Directors	The members of the Company's Board of Directors.
Exchange or Tadawul	The Saudi Stock Exchange (Tadawul).
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Bylaws.
Financial Advisor	Riyad Capital.
Financial Year	The financial year of the Company, starting from 1 January to 31 December of each financial year.
G	The Gregorian calendar.
GCC	The Cooperation Council for the Arab States of the Gulf.
General Assembly	An Extraordinary General Assembly or Ordinary General Assembly, and "**General Assembly**" shall mean any general assembly of the Company.

Government	The government of the Kingdom of Saudi Arabia, and the term "**governmental**" shall be construed accordingly.
Group	The Company and its Subsidiaries.
H	The Hijri calendar.
IFR	The Investment Funds Regulations issued by the Capital Market Authority pursuant to Resolution No. 1-219-2006 and dated 03/12/1427H corresponding to 24/12/2006G, as amended by CMA Board Resolution No. 2-22-2021G dated 12/07/1442H (corresponding to 24/02/2021G).
IFRS	The International Financial Reporting Standards endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA.
Investees	1. Al-Dal Real Estate Services Company, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010680496 dated 29/05/1442H (corresponding to 13/01/2021G). 2. Sahl Al Madar Trading Company, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010586820 dated 07/11/1440H (corresponding to 20/07/2019G). 3. Smart National Solutions for Information Technology, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010463892 dated 28/11/1437H (corresponding to 31/08/2016G). 4. Syarah, a limited liability company incorporated and existing in the British Virgin Islands and registered under Commercial Registration No. 1902271 dated 14/03/1436H (corresponding to 05/01/2015G). 5. Zid Holding Limited, a limited liability company incorporated and existing in the Abu Dhabi Global Market and registered under Commercial Registration No. 1902271 dated 27/04/1432H (corresponding to 05/01/2016G). 6. Bezaat Holdings Limited, a limited liability company incorporated and existing in the Cayman Islands and registered under Commercial Registration No. 269978MC, dated 08/08/1433H (corresponding to 28/06/2012G). 7. Alwans Technology Corp. (Foodics), a limited liability company incorporated and existing in the British Virgin Islands and registered under Commercial Registration No. 1941071 dated 15/08/1442H (corresponding to 28/04/2021G). 8. Healthify Me, a limited liability company incorporated and existing in the State of Singapore and registered under Commercial Registration No. R201435901 dated 10/02/1436H (corresponding to 02/12/2014G). 9. Unifonic, a limited liability company incorporated and existing in the British Virgin Islands and registered under Commercial Registration No. 1887019 dated 04/11/1436H (corresponding to 19/08/2015G). 10. Curative Care, a limited liability company incorporated in the Cayman Islands on 23/11/1441H (corresponding to 14/07/2020G).
IoT	The new generation of the internet (network) that enables understanding between interconnected devices (via IP).
Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia.
Labour Law	The Saudi Labour Law promulgated by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G).
Lead Manager	Riyad Capital.
Legal Advisor	Law Office of Salman M. Al-Sudairi.
Listing	Admission of the Company's shares on the Exchange in accordance with the Listing Rules.
Listing Rules	The Listing Rules approved by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Lock-up Period	The period during which the Public Investment Fund is subject to a lock-up period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. During the Lock-up Period, the Public Investment Fund may not dispose of its shares.
Market Consultant	Arthur D. Little Saudi Arabia.

Market Study	The market study prepared by Arthur D. Little Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce in the Kingdom.
Ministry of Human Resources	The Ministry of Human Resources and Social Development in the Kingdom.
Offering	The offering of twenty-four million (24,000,000) ordinary shares representing 30% of the Company's capital for public subscription in the Saudi Stock Exchange.
Offering Period	The period will commence on Thursday 02/07/1443H (corresponding to 03/02/2022G), and continue for a period of four (4) days up to and including the closing day on Sunday 07/05/1443H (corresponding to 06/02/2022G).
Offer Shares	Twenty-four million (24,000,000) ordinary shares, representing 30% of the Company's capital.
Offer Price	One hundred and twenty-eight Saudi Riyals (SAR 128) per share.
Official Gazette	Um Al Qura, the official gazette of the Kingdom of Saudi Arabia.
OSCO Rules	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Bylaws.
Participating Parties	The parties entitled to participate in the book-building process, namely: a. public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book Building Instructions; b. capital market institutions authorized by the CMA to deal in securities as a principle, subject to the provisions of the Financial Adequacy Rules when submitting the application form. c. clients of a capital market institution authorized by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; d. legal entities allowed to open an investment account in the Kingdom and an account with the Depository Center, with the exception of non-resident foreign investors that are not Qualified Foreign Investors according to the QFI Rules, in compliance with CMA Circular No. 6/05158 dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014 dated 20/07/1435H (corresponding to 19/05/2014G); e. Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Depository Center; f. Government-owned companies, directly or through a private portfolio manager; and g. GCC companies and GCC funds if permissible according to the terms and conditions of such funds.
Prospectus	This Prospectus, which was prepared by the Company in relation to the Offering.
Public	Any person other than those listed below: 1. affiliates of the issuer; 2. major shareholders in the issuer; 3. directors and senior executives of the issuer; 4. directors and senior executives of the affiliates of the issuer; 5. directors and senior executives of the substantial shareholders of the issuer; 6. any relatives of the persons referred to in (1), (2), (3), (4), or (5) above; 7. any company controlled by any person referred to in (1), (2), (3), (4), (5) or (6) above; and 8. persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.
QFI	A qualified foreign investor in accordance with the QFI Rules. Qualification applications are submitted to a Capital Market Institution for evaluation and approval of the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities passed under CMA Board Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/2015G), as amended by CMA Board Resolution No. 3-65-2019 dated 14/10/1440G (corresponding to 17/06/2019G).

Receiving Entities	The receiving entities whose names are mentioned on Page (vii) of this Prospectus.
Related Party	In this Prospectus, in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by the CMA Board under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 4/10/2004G), as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G), a "**Related Party**" or "**Related Parties**" includes any of the following: a. affiliates of the issuer; b. major shareholders in the issuer; c. directors and senior executives of the issuer; d. directors and senior executives of the affiliates of the issuer; e. directors and senior executives of the issuer's substantial shareholders; f. any relatives of the persons referred to in (a), (b), (c), (d), and (e) above; or g. any company controlled by any person referred to in (a), (b), (c), (d), (e), and (f) above. For the purpose of Paragraph (g),"control" shall mean the ability to influence the actions or decisions of another person, whether directly or indirectly, individually or with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting equity in a company; and (b) having the right to appoint 30% or more of the members of the administrative staff. The word "**controlling**" shall be construed accordingly.
Relatives	Husband, wife and minor children. For the purposes of the Corporate Governance Regulations: • parents, grandparents, and ascendants thereof. • children, grandchildren, and descendants thereof. • full brothers and sisters, paternal half-brothers and sisters, and maternal half-brothers and sisters. • husbands and wives.
Retail Investors	Saudi natural persons including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children on the condition that she proves that she is divorced or widowed and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC natural nationals who have a bank account with one of the Receiving Entities and are entitled to open an investment account.
Rules of Listed Companies	The Regulatory Rules and Procedures issued pursuant to the Companies Law relating to listed joint stock companies passed by the CMA Board under Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), as amended pursuant to CMA Board Resolution No. 4-122-2020 dated 03/04/1442H (corresponding to 18/11/2020G).
SAR or Saudi riyal	The Saudi Arabian riyal, the official currency of the Kingdom.
SDAIA	The Saudi Data and Artificial Intelligence Authority.
Secretary	The Secretary of the Board of Directors.
Selling Shareholder or Substantial Shareholder	The Public Investment Fund.
Senior Executives	Any natural person assigned - individually or jointly with other persons - by the Company's Board or by a Director to oversee and manage tasks and who reports directly to the Board, Director or CEO.
Shares	Eighty million (80,000,000) fully-paid ordinary shares in the Company with a nominal value of ten Saudi Riyals (SAR 10) per share.
Shareholders	Any owner of shares in the Company.
SOCPA	The Saudi Organization for Certified Public Accountants
Subscribers	The Participating Parties and Retail Investors.
Subscription Application	The application submitted to the Bookrunner by the Participating Parties to bid for the Offer Shares during the book building process no later than the last day of the Book-Building Period. This term includes, when applicable, the appended applications when the price range is changed.
Subscription Application Form	The Subscription Application Form that Retail Investors and Participating Parties (as applicable) must fill in to subscribe to the Offer Shares.

Subsidiaries	1. Tabadul, a Saudi closed joint stock company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010274503 dated 14/10/1430H (corresponding to 10/03/2009G). 2. Emdad Al Khebrat, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010414975 dated 22/07/1435H (corresponding to 21/05/2014G). 3. Elm Technology Investment Company, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010599252 dated 16/02/1441H (corresponding to 15/10/2019G). 4. Umrah Premium Services Company, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010656805 dated 12/02/1442H (corresponding to 29/09/2020G). 5. Future Resources Limited, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010606896 dated 23/03/1441H (corresponding to 20/11/2019G). 6. Asdam Digital FZ LLC, a limited liability company incorporated and existing in Dubai and registered under Commercial Registration No. 99019 dated 09/02/1443H (corresponding to 16/09/2021G). 7. Elm Arkan for Information Systems Technology, a company incorporated and existing in the Kingdom and registered under commercial registration number 1010209530 dated 15/04/1436H (corresponding to 23/05/2005G).
Tabadul	The Saudi Company for Exchanging Digital Information.
Underwriter	Riyad Capital.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholder, and the Underwriter in connection with the Offering.
WIPO	The World Intellectual Property Organization.
2018G Auditor	KPMG Professional Consulting (formerly KPMG Al Fozan & Partners).
2019G, 2020G and First Half 2021G Auditor	Deloitte and Touche & Co. – Chartered Accountants.

2- Risk Factors

Prospective investors should carefully consider all information provided in this Prospectus, including the following risks prior to deciding to invest in the Offer Shares. The risks described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. The risks and uncertainties described below do not necessarily constitute all the risks affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that are not currently known to the Company, or that the Directors currently believe to be immaterial. The occurrence of any such risks may materially and adversely affect the Company's business, financial condition, results of operations, and future prospects, the trading price of the Shares, and the Company's ability to pay dividends, which may cause investors to lose all or portion of their investment in the shares.

The Company's business, financial condition, results of operations, and future prospects may be materially and/or adversely affected, the Company may not be able to pay dividends, the share price may decrease, and investors may lose all or portion of their investment in the shares, if any of the risks referred to below, or any other risks not identified by the Board of Directors or not currently considered material, occur or become material. As a result of these risks or other factors that may affect the Company's business, the expected future events and circumstances that are described in this Prospectus may not occur in the way the Company and/or the Directors expect, or at all. Therefore, investors should consider all forward-looking statements contained in this Prospectus in light of this explanation and should not rely on such statements without verifying them (for more information, please see the "**Important Notice**" section of this Prospectus).

Moreover, the Board of Directors confirm that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus - other than as disclosed in this section - that may affect investors' decisions to invest in the Offer Shares. All prospective investors who wish to subscribe to the Offer Shares should conduct an assessment of the risks related to the Company's Offer Shares and the Offering in general and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is appropriate only for those investors who are able to evaluate the risks of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial advisor duly licensed by the CMA for advice prior to investing in the Offer Shares. The risks described below are not arranged in order of priority based on their importance or expected effect on the Company. There may be additional risks that the Company is currently not aware of, or that the Company currently believes are immaterial, which may in the future have the same effects or consequences stated in this Prospectus. Accordingly, the risks described in this section or in any other section of this Prospectus may not include all risks that may affect the Company or its operations, activities, assets, or markets in which it operates and/or does not indicate all risks involved in investing in the Offer Shares.

2-1 Risks Related to the Company's Business

2-1-1 Risks related to the concentration of the Company's customers in government and semi-government entities

The Company works with governmental and semi-governmental entities on an ongoing basis to perform a number of digital projects. In generating its revenues, the Company depends on transactions with its customers concentrated in governmental and semi-governmental entities. The Company's revenues from its transactions with governmental and semi-governmental entities accounted for 56.45%, 55.46%, 59.25%, and 66.46% of the Company's revenue for the financial years ended 31 December 2018G, 2019G and 2020G and the six-month period ended 30 June 2021G, respectively. The success and growth of the Company's business depend on its relationships with governmental and semi-governmental entities and are expected to continue to account for a large percentage of its revenue. This dependence may increase in future periods as the Kingdom's Government confirmed that digital services and digitization are part of its strategic priorities. The concentration of the Company's customers in governmental and semi-governmental entities entails many risks, as described below:

a) Risks related to the Company's revenue being affected by the level of government spending

Due to the concentration of the Company's customers in governmental and semi-governmental entities, the Company's revenues may be affected by the conditions of governmental entities and the sectors they represent and the level of government spending, which are related to several factors such as financial, budgetary or regulatory restrictions, changes in the government's financial or contractual policies, public spending restrictions, a decline in the available government funding, or delays in collecting government allocations. Government spending is also affected by political and economic conditions such as wars, natural disasters, epidemics, etc. (for more information about the risks related to government spending, please see Sections 2-2-5 "**Risks related to the Kingdom and the global economy**", 2-2-6 "**Risks related to political instability and security concerns in the Middle East**", 2-2-7 "**Risks related to the outbreak of COVID-19 or any other infectious disease**", and 2-2-10 "**Risks related to floods, earthquakes, and other natural disasters or sabotage**" of this Prospectus). These factors will have a material effect on the volume, scope, timing, and duration of contracts and purchases, which in turn will have an effect on the level of business secured by the Company from such customers. Such factors could also result in a suspension, cancellation, termination, or non-renewal of existing contracts. Any loss of key governmental and semi-governmental customers or reduced expenditure on digital services by the governmental and semi-governmental customers would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

b) Risks related to contracts with governmental and semi-governmental entities

Projects involving governmental and semi-governmental customers carry various risks inherent in the public sector contracting process. These risks include the following:

- the terms and conditions of public sector contracts tend to be more onerous for the Company than the terms and conditions of commercial contracts with private sector entities and may include, but not be limited to, higher service level penalties or impose more obligations on the Company;
- terms and conditions of public sector contracts are usually uniform or unnegotiable;
- transactions with governmental and semi-governmental entities entail high competition, costs, effort, and time, with no assurance that such efforts will actually achieve the desired financial return for the Company;
- public sector contracts are often subject to more media coverage than other contracts, and any negative media coverage related to such contracts, regardless of the accuracy of such publicity, may adversely affect the Company's business or reputation;
- public sector contract projects differ from commercial contracts entered into with private sector entities as they are generally subject to government procurement laws in the Kingdom; and
- public sector projects may in some cases be subject to a higher risk of reduction in scope or termination than other contracts due to economic factors or the reduction in, or absence of, adequate funding.

In addition, the Company, Tabadul and Emdad Al Khebrat entered into a number of material agreements with various governmental and government-owned entities (such as the General Authority for Civil Aviation, the Ministry of Justice, the Public Transport Authority and Jeddah Municipality), which include provisions whereby the counterparties may terminate the agreements at any time upon written notice to the Company (for more information about the Company's material agreements with its governmental and semi-governmental customers, please see Section 12-6 "**Material Agreements**" of this Prospectus). If the Company is unable to manage the risks related to working with the government sector, or if the contracting parties decide to terminate these agreements or refuse to renew them on favourable terms for the Company or at all, the Company may lose a large part of its revenue stream and may not be able to compensate for losses incurred as a result of work with any of such governmental entities, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, Tabadul entered into an agreement with a governmental entity for a period of two years ended on 16/05/1442H (corresponding to 31/12/2020G). Such agreement was extended for an additional period of six (6) months which ended on 20/11/1442H (corresponding to 30/06/2021G). It should be noted that the agreement has not been extended, but it is still effective pursuant to its terms whereby the two parties may continue to perform the terms of the agreement for a period of no more than thirty-six (36) months. As at the date of the Prospectus, Tabadul and the governmental entity are in the process of signing a new agreement for the development of an electronic platform, whereby Tabadul will be the exclusive provider of the governmental entity's e-services (for more information, please see Section 12-6 "**Material Agreements**" of this Prospectus). Given that such agreement with the governmental entity has a short term, Tabadul may not be able to maintain the exclusive right to provide the services thereunder, and the governmental entity may decide to change the terms of the agreement, which may affect Tabadul's profitability. In addition, if the governmental entity decides to terminate this agreement or refuse to renew it on favourable terms for Tabadul or at all, Tabadul may lose a large portion of its revenue streams. This digital platform achieved revenues of SAR 142 million, SAR 262 million, SAR 272 million, and SAR 151 million for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, representing 92%, 74%, 99%, and 100% of Tabadul's total revenue in such periods, respectively. Tabadul may not be able to make up for any losses incurred as a result of stopping work with the governmental entity, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

It should be noted that the Company deals with some governmental entities to provide services based on memoranda of understanding and minutes of service development or meetings, some of which were documented in memoranda of understanding and others were not documented in written agreements or contracts that clearly provide for the obligations and rights of both parties (for more information, please see Section 12-6 "**Material Agreements**" of this Prospectus). Consequently, the Company may not be able to preserve its rights or have recourse against the governmental entities for any claims if they breach any of their agreed obligations in such meetings due to the fact that these obligations are not documented in formal contracts, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-2 Risks related to the reliance of some of the Company's business on government data

The Company offers a number of electronic products, platforms and applications that depend on government data such as Yakeen, Muqeem, and other electronic products (for more information about these electronic products, please see Section 12-6-4 "**Government Data Agreements**" of this Prospectus). The electronic products, platforms, and applications accounted for 54%, 57%, 52%, and 45%

of the Company's revenue for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively. Revenues from governmental and semi-governmental customers accounted for 32%, 22%, 36%, and 38% of the revenues of electronic products, platforms and applications that depend on government data for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively. The Company obtains government data and the right to utilize such data in its electronic products (such as Muqeem, Yakeen, Tamm and other products) pursuant to four (4) agreements entered into by the Company with two governmental entities. All these agreements are not exclusive and have a short term of one (1) to three (3) years, renewable for similar periods. Some agreements have indefinite terms and do not include a renewal mechanism. Under these agreements, the parties often have the right to terminate the agreements at any time upon written notice. The agreements do not include any provisions relating to changing the financial arrangements owed to such governmental entities (for more information about these agreements, please see Section 12-6-1 "**Government Data Agreements**" of this Prospectus). If any of the two governmental entities decides to terminate all or any of the agreements or refuses to renew them on favourable terms for the Company or at all, the Company may not be able to obtain government data at an appropriate price or at all, which would lead to the Company being unable to provide many of its electronic products (including, but not limited to, Muqeem, Yakeen, Tamm, and other products) and losing one of its revenue streams. In addition, the Company may not be able to make up for any losses it incurs as a result of stopping work with these government entities. If the Company is unable to maintain its relationship with these government entities, it may lose an important source of income. If any of the government entities change the contractual terms and financial arrangements for the utilization of such government data in a way that is not in line with the Company's requirements, the Company's profit margins may be adversely affected, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

It should be noted that the Company is in the process of signing a new agreement with the relevant governmental entities to develop data and information resources, which is expected to replace three (3) of the above-mentioned agreements. As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set. The expected financial impact of this agreement over the six-month period of the current year (assuming no change in any of the terms or clauses of the current draft agreement) will be twenty-six million, seven hundred seventy-five thousand and eighty-six Saudi Riyals (SAR 26,775,086), which will result from the increase in costs due to the conclusion of the agreement. As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set. The Company may not be able to execute this agreement, which would result in the on-going risks mentioned above regarding the relationship between the Company and the relevant governmental entities.

In addition, due to the lack of exclusive arrangements under the agreements entered into between the Company and governmental entities, the governmental entities may give the right to utilize government data to any other company or party, which in turn may develop products that compete with the Company's business or provide benefits similar to or better than those offered by the Company, which will affect the Company's competitive advantage (for more information about the risks related to competition, please see Section 2-2-1 "**Risks related to competition**" of this Prospectus). This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-3 Risks related to the Absher platform

A large portion of the Company's revenue mainly depends on the agreements entered into with a governmental entity in relation to the Absher platform, which accounted for 6.68%, 9.18%, 11.57%, and 11.66% of the Group's revenue for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G. The Company entered into an agreement for Absher - Individuals with the governmental entity on 07/08/1441H (corresponding to 01/04/2020G) for a period of sixty (60) months, and a value-added services agreement for the Absher platform on 06/05/1441H (corresponding to 01/01/2020G) for a period of four (4) Hijri years that will be automatically renewed unless either party notifies the other of its intent not to renew (for more information about these agreements, please see Section 12-6-2(a) "**Absher Agreements**" of this Prospectus). Under the Absher - Individuals agreement, the governmental entity may terminate said agreement at any time by written notice to the Company. The governmental entity does not grant the Company an exclusive right to provide the services subject of the agreement. The Absher - Individuals agreement does not include a mechanism to renew it upon its expiry. If the governmental entity decides to terminate the agreements entered into with the Company or refuses to renew them on favourable terms for the Company or at all, this may lead to a loss of one of the Company's sources of revenue, and the Company may not be able to make up for any losses it incurs as a result of stopping work with the government entity. If the Company is unable to maintain its relationship with the governmental entity, it may lose an important source of income. If the government entity changes the contractual terms in a way that is not in line with the Company's requirements, the Group's profit margins may be negatively affected, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, due to the lack of exclusive arrangements under the agreements between the Company and the governmental entity, the governmental entity may develop, or permit any other company or entity to develop, other products that compete with the Absher platform operated by the Company or offer benefits similar to or better than those offered by the Company (for more information about the risks related to competition, please see Section 2-2-1 "**Risks related to competition**" of this Prospectus). This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-4 Risks related to the attraction of new customers and retention of existing customers

The Company contracts with customers to provide integrated digital services and solutions to customers, especially with regard to the adoption of e-government (for more information about the summary of the Company's material agreements with existing customers, please see Section 12-6 "**Material Agreements**" of this Prospectus). The Company's success largely depends on its ability to retain its existing customers and secure additional works from them as well as its ability to attract new customers. The contracts entered into by the Company with its customers do not give it the right to be the exclusive provider of services and solutions. The Company's ability to retain its existing customers and gain new customers depends on its ability to maintain high standards of service. If the Company's customers are not satisfied with the quality of the Company's work, the types of services or technologies provided, or otherwise seek to renegotiate their contracts for any reason including to reduce their own costs, the Company may incur additional costs to address the situation and its profits will be affected. If the Company is unable to meet the service requirements of any customer on an on-going basis, this will lead to the disruption of the customer's business, which could have an adverse effect on the Company's reputation, lead to the loss of customers, and affect the Company's ability to secure new projects.

In addition, some contracts entered into with customers include terms that allow the contracting parties to terminate the agreements at any time by written notice of one (1) to six (6) months to the Company (for more information about the Company's material agreements with its customers, please see Section 12-6 "**Material Agreements**" of this Prospectus). If the Company's existing customers decide not to renew their contracts with the Company at the end of the contractual term or terminate the contracts before the expiry of their terms, the Company may incur costs related to the termination of services as well as the loss of anticipated future revenues. In addition, a customer may decide not to contract with the Company for additional phases of projects, seek to renegotiate the terms of its contract, or cancel or delay additional planned work. If the contracts are terminated or are not renewed, the Company will lose the expected revenues, which may take a long time to be offset, and the Group's results of operations may significantly decline in subsequent periods, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

It should be noted that in the initial stages of its relationship with a customer, the Company is typically required to invest time and money in understanding the customer's needs, as the investment in understanding the customer's needs enables the Company to provide more efficient services. Accordingly, if the Company replaces its long-term customers with new customers on terms less favourable to the Company, or if the new customers do not become long-term customers, this customer movement will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-5 Risks related to income sharing for the services provided under a large number of the Company's material agreements

The Company enters into material agreements with its customers, particularly governmental customers, whereby the Company provides technology services that benefit the public or the customers of the Company's customers. The financial consideration of a large number of these agreements is represented in income sharing between the Company and its customers for the provision of these services to third parties, as may be determined by agreements entered into between the Company and its customers in this regard, including agreements with several governmental and other customers (for more information about such agreements, please see Section 12-6-2 "**Customer Agreements**" of this Prospectus). The Company may not be able to cover the costs of developing such services from their revenues as the Company may improperly determine the prices of the services (for more information about the related risks, please see Section 2-1-6 "**Risks related to pricing and incorrectly estimating the cost of services and the complexity of performing services**" of this Prospectus). In addition, the Company may not succeed in marketing its services provided to beneficiaries for any reason. If the Company fails to achieve the desired revenues to cover costs based on the income sharing model, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-6 Risks related to pricing and incorrectly estimating the cost of services and the complexity of performing services

The pricing of digital services contracts is complex and depends heavily on the Company's internal estimates, forecasts, and assumptions for the Company's projects, and, in particular, the cost of providing the relevant digital services. These estimates, predictions, and assumptions may be based on limited data and could turn out to be inaccurate. If the Company does not accurately estimate the scope of its costs and timing for completing projects, its contracts could prove unprofitable. The Company may underprice its projects, fail to accurately estimate the costs of performing the work, or fail to accurately assess the risks associated with potential contracts. In circumstances where the Company encounters unexpected costs, the Company generally seeks to negotiate with suppliers to reduce underlying costs. However, these negotiations with suppliers may not result in agreements that will reduce the higher cost to the Company. Any additional or unexpected costs, delay or failure to achieve anticipated cost savings, or unexpected risks that the Company encounters in connection with the delivery of its services, including those caused by factors beyond the Company's control, could adversely affect the Company's profitability, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition, the Company generates its revenues through various products (for more information about the products, please see Section 4-4-1 "**Product Suite**" of this Prospectus) based on subscription fees and the fees set for each transaction for public and private sector customers. The Company's pricing is based on its pricing policy, but some products are priced in agreement with the relevant governmental entity. Given that there is no agreement or agreed pricing policy, the Company may not be able to adjust prices in line with any fluctuation in cost, which may affect the Company's profit margins. If the Company fails to properly determine subscription fees and the fees set for each operation, the Company may not be able to cover its costs, which will affect the Company's profitability. This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The Company is in the process of signing a new agreement with the relevant governmental entities to develop data and information resources, which is expected to replace three (3) of the current agreements related to government data (for more information about these agreements, please see Section 12-6-1 "**Government Data Agreements**" of this Prospectus). As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set. The Company may not be able to execute this agreement, which will result in the on-going risks mentioned above regarding the pricing mechanism, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-7 Risks related to the sustainability of the Company's revenue growth and profitability

The Company's net revenue increased at a CAGR of 13.16% between 2018G and 2020G. However, the rapid growth of the Company's revenue in recent periods should not be taken as an indication of its future performance. The Company's revenues may not continue to grow at the current rates or at all, and the Company may not be able to maintain the level of profitability it achieved in recent periods or at all. The revenues of any previous quarterly or annual period may not be taken as an indication of the Company's future performance as the growth rate of the Company's revenue may decrease in future periods. The Company's results of operations may also fluctuate due to various factors, some of which are beyond the Company's control, including increasing competition in the digital services market, which may result in the Company losing its market share or offering greater discounts to its customers in order to maintain or increase its market share. These factors also include the Company's failure to diversify its business and capitalize on growth opportunities that may be available to it or that may be available in the sector in which it operates. In addition, the Company's growth rates are likely to experience increased volatility as a result of the COVID-19 pandemic, and are likely to decline, due to economic disruption and expected reduction of government spending (for more information about the risks related to COVID-19, please see Section 2-2-7 "**Risks related to the outbreak of COVID-**19 **or any other infectious disease**" of this Prospectus). The Company faced, and may continue to face, cyclical fluctuations in its revenue, which may be dependent on the timing of certain large-scale projects which the Company is contracted to implement. There are a number of factors that may affect the number and value of projects secured by the Company. The Company may experience fluctuations in its revenues in the future for any other reason. The occurrence of any of these risks would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-8 Risks related to the collection of receivables

The Company's business depends on its ability to receive on a timely basis the amounts owed by its customers for work performed. As at 31 December 2018G, 2019G and 2020G and 30 June 2021G, expected credit losses accounted for 3.25%, 4.35%, 2.81%, and 3.77% of the total government receivables, respectively. Expected credit losses accounted for 38.10%, 29.6%, 32.44%, and 31.58% of the total trade receivables as at 31 December 2018G, 2019G and 2020G and 30 June 2021G, respectively. The largest part of the total accounts receivable, i.e. 71.51% as at 30 June 2021G, represents amounts related to governmental entities in line with a large number of projects with them. Net accounts receivable from governmental entities amounted to eight hundred and thirty-eight million, two hundred and forty-six thousand, three hundred and forty-two Saudi Riyals (SAR 838,246,342), seven hundred and eighty-seven million, eight hundred and forty-four thousand, two hundred and fifty-nine Saudi Riyals (SAR 787,844,259), one billion, forty-nine million, three hundred and twenty-four thousand, three hundred and forty six Saudi Riyals (SAR 1,049,325,346), and one billion, four hundred million, fifty-three thousand, four hundred and four Saudi Riyals (SAR 1,400,053,404) as at 31 December 2018G, 2019G, and 2020G and 30 June 2021G, respectively. As at 30 June 2021G, government receivables over 365 days past due amounted to five hundred and seventy-four million, three hundred and eleven thousand, eight hundred and forty-four Saudi Riyals (SAR 574,311,844), representing 28% of the total accounts receivable as at 30 June 2021G. Trade receivables over three hundred and sixty-five (365) days past due amounted to one hundred and fifty-three million, three hundred and nine thousand, one hundred and seventy-one Saudi Riyals (SAR 153,309,171), representing 8% of the total accounts receivable as at 30 June 2021G. Total accounts receivable amounted to one billion, two hundred and seventy-six million, four hundred and forty thousand, one hundred and fifty-three Saudi Riyals (SAR 1,276,440,153), one billion, two hundred and ninety million, six hundred and twenty-one thousand, nine hundred and thirty-three Saudi Riyals (SAR 1,290,621,933), one billion, five hundred and fifty-five million, forty-one thousand, seven hundred and eighty-four Saudi Riyals (SAR 1,555,041,784), and two billion, thirty forty million, three hundred and seventy-two thousand, nine hundred and six Saudi Riyals (SAR 2,034,372,906) as at 31 December 2018G, 2019G, and 2020G and 30 June 2021G, respectively.

The Company applies IFRS 9 to all of its customers. The Company uses forward-looking information based on assumptions regarding the future drivers of various economic factors and how these drivers affect each other. The Company also uses estimates to calculate loss ratios. In addition, according to management's estimates, the Company creates an additional ECL provision for specific cases. Customers may delay payments, request modifications to their payment arrangements, or default on their payment obligations, or there may be disputes with customers regarding contract values or the Company's payments, which may increase the possibility that the Company will not be able to collect these amounts from its customers, leading to the Company facing working capital shortages. The nature of the Company's contracts sometimes requires it to allocate resources to a project prior to receiving advances or other payments from customers to cover expenditures on the project as they are incurred. The Company is therefore exposed to the risk that customers delay or fail to make payments for services rendered by the Company, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-9 Risks related to the expansion of the Company's business

To enter into new sectors and expand within the sectors in which the Company operates, significant resources are required. There can be no assurance that these efforts will be successful or feasible to meet the needs of the Company's customers in various sectors. The Company's future performance depends on its ability to implement its plans and growth strategies, which include expanding its operations into new commercial markets, and participating in new opportunities that result from government projects. To achieve and develop new solutions for customers, the Company will need to develop relevant tools and capabilities to create and develop new solutions for customers. This depends on the Company's ability to continue to implement and improve its digital services in an efficient and timely manner, in addition to obtaining regulatory approvals when it needs to expand the technology business. It should be noted that different customer segments require multiple services and products according to their needs. If the Company is not able to effectively sell its services in a broader market, its competitive position may be adversely affected. The Company may have limited operational experience in markets it intends to expand to, which would expose it to higher commercial, technological, and economic risks that may affect the Company's financial results. The Company's personnel or its existing systems may not be sufficient to support future expansion and growth or the Company may not be able to obtain necessary approvals for any future growth plans in a timely manner or at all. Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional financing may result in the loss of the desired economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have an adverse effect on its business, results of operations, financial position, and future prospects.

2-1-10 Risks related to rapidly-evolving technological developments and customer demand

The digital services market is characterized by rapid technology change, new product development, technology improvements, high-level customer requirements, and evolving industry standards. The Company's future success depends on its ability to continue to develop, market, and provide attractive services and solutions to its current and future customers in a timely and efficient manner and at competitive prices. This requires the Company to anticipate and respond to rapid and constant technology changes and keep pace with developments in the digital services market and solutions provided by new companies to meet the evolving needs of its customers. It also requires the Company to spend a significant amount of time and money on the research and development of new technologies and improved versions to meet the evolving needs of its existing and potential customers. However, improvements that the Company will make for its services or its new product features may not be convincing to its customers and may not gain market acceptance. If the Company's investments in research and development do not accurately anticipate changes in customer demands, or if the Company fails to develop its services in a way that satisfies customers in a timely and cost-effective manner, the Company may fail to retain its current customers or attract new customers in the future. Therefore, if the Company does not adapt, expand, and develop its services and solutions in response to changes in technology or customer demands and needs, the Company's ability to develop and maintain its competitive advantage and continue to grow may be adversely affected, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Developments in the industries that the Company serves could shift demand to new services, software, and solutions. If, as a result, the Company's customers demand new services, software or solutions, the Company may be less competitive in these new areas or need to make significant investments to meet that demand. In addition, the Company is currently operating in an environment that includes a number of new companies that provide new competitive services, programs, and solutions. The Company expects that more new companies will enter into the industry. New services, programs, and solutions offered by competitors or new companies may make the Company's services and products less attractive or less competitive. The Company may not be able to successfully anticipate or respond to changes or customer requirements on a timely basis. If the Company fails to keep up with such changes or to convince customers of the value of its services, software, and solutions in light of new technologies or new offerings by competitors, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-11 Risks related to marketing and sales

The successful implementation of the Company's strategies to increase sales to existing customers, identify and contract new customers, and enter into new markets will largely depend on the Company's ability to successfully build and expand the Company's sales and operations department. To this end, the Company is required to incur expenses for sales and marketing by hiring and training sales staff and other marketing initiatives. The Company's efforts related to marketing and sales team building may not succeed, which will adversely affect the Company's business. The Company's sales and revenues may grow slower than expected or decline, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-12 Risks related to the quality of the Company's products, platforms, and solutions

The Company provides technology solutions to its customers and creates and operates digital platforms and products. The Company also provides maintenance services to solve any issues related to its platforms and products. The Company's capabilities to provide constant and effective services to its customers, attract more customers, and generate revenues depend on the quality of the Company's platforms and products offered to customers and rely on maintaining such quality through the maintenance services provided by the Company. In addition, the Company's capabilities to provide effective services largely depend on attracting, training, and retaining qualified personnel with experience in providing customer support services on the Company's platforms. However, the Company's customer service may not be able to quickly respond to customer demand for the Company's operation and maintenance services, which affects the quality of the Company's services, products, and platforms. In addition, the Company may not be able to change the scope of work of its projects to include maintenance services in order to compete with the services provided by the Company's competitors, which increases the Company's costs and adversely affects its revenues.

The Company's customers and users of its products usually need to be trained on the proper use of the various benefits that can be obtained from the Company's platforms in order to obtain the highest attainable potential. If the Company fails to update or develop its platforms effectively, does not succeed in helping its customers and users of its products to quickly solve post-operational problems, fails to provide effective constant services and maintain the quality of services and products provided, the Company's ability to sell additional products and services to existing customers may be adversely affected and its reputation may be damaged before future customers. Accordingly, if the Company fails to meet customer requirements, maintain the quality of its services, products, and platforms, and provide the necessary maintenance services, this will affect the Company's reputation and the level of demand, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-13 Risks related to undetected errors or defects in products or solutions

The Company's products, software or solutions, as well as hardware, software, and services offered by various suppliers, may contain errors or defects that the Company has not been able to detect, especially when products are introduced and applied for the first time or when new versions or updates to products are released, which could adversely affect the performance of the products, software or solutions and consequently affect demand for them. While the Company and users test the offered software, errors in the Company's products, software, and solutions are likely to occur from time to time. Some of these defects may not appear until the products are integrated into the customers' existing systems. Errors may affect the performance of the Company's products and thus adversely affect the Company's reputation and the demand for contracting with the Company to obtain its services. If errors or defects are discovered or if there is any delay in the release of new software or versions of products, the Company may have to incur significant capital expenditures to address them and may not be able to successfully correct them in a timely manner or at all. This may result in a loss in the Company's revenue or market share. Errors and malfunctions related to products, software, or solutions would result in loss or delay in the market acceptance of such products, software, or solutions, and could damage the Company's reputation, result in the loss of major customers, the termination by customers of agreements with the Company, or expose the Company to legal liability. Any such errors or defects could result in negative feedback from customers, especially since many of the Company's customers and potential customers are significantly affected when they are aware of defects in products, software, or solutions they use. In addition, any errors in products, software, or solutions could result in the Company having to provide concessions and adopt corrective measures for its existing customers in order to maintain their business. Thus, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The Company's platforms also include a large variety of other elements. In addition, the platforms should successfully work with products provided by other suppliers and customers' existing built-in software and systems. As a result, when issues are faced by a customer using the Company's products, it can be difficult to determine the source of such issues. The Company may be blamed for any issues and errors when they result from the failure of another component of the IT infrastructure or the failure of the customer or any other vendor to comply with applicable controls and necessary precautions. The occurrence of issues or errors in the data, whether caused by the Company's platforms or not, may adversely affect the Company's reputation, which could harm the Company's business, financial position, and results of operations. If an actual or perceived breach occurs in a system of one of the Company's customers, whether such breach is attributable to the Company or not, the market perception of the effectiveness of the Company's platforms may be damaged. Mitigating any such issues may require significant additional expenses from the Company's capital and resources and may impede, delay, or suspend its product licenses, which may cause the loss of existing or potential customers. This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

It should be noted that the Company also relies on software, hardware, and applications provided by various third parties to provide its services and solutions, such as Microsoft programs (for more information about the agreements entered into in this regard, please see Section 12-6-10 "**IT License Agreements**" of this Prospectus, and for more information on risks related to software, hardware, and applications provided by third parties, please see Section 2-1-19 "**Risks related to open-source software**" of this Prospectus). If any such software, hardware, or applications becomes unavailable due to extended interruptions or because they are no longer available on commercially favourable terms for the Company, the Company may delay in providing its services until alternative technology is identified, obtained, and integrated, which could increase the Company's expenses or otherwise harm its business. While the Company seeks to closely collaborate with its third party suppliers of software, hardware, and applications with a view to streamlining the acquisition and integration of technology, the current relationships between the Company and its suppliers may not continue in their current form. Changes in the Company's relationships with suppliers may impact its ability to procure tailored services and technologies from such suppliers, which may increase the Company's expenses, capabilities, or otherwise harm its business. In addition, any errors or defects in third-party software, hardware, or applications could result in errors, defects, or failures in the Company's services and solutions, which could harm its business and be costly to correct. Many of these suppliers attempt to impose limitations on their liability for such errors, defects, or failures, and, if enforceable, the Company may have additional liability to its customers or third-party providers that could harm the Company's reputation and increase its operating costs. The occurrence of any of these risks would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-14 Risks related to the failure of the Company's information technology systems and data centres

Any failure in the Company's information and technology systems could interrupt the Company's daily business, causing a significant slowdown in administrative and operational efficiency during the period of such failure. Any prolonged failure or breakdown could impact the Company's ability to offer services to its customers, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. There can be no assurance that any new IT systems will not subsequently cause any disruption or interruption in business. Any significant delay or interruption in services could adversely affect the Company's reputation.

In addition, the Company relies on third party suppliers to supply and maintain many of its IT systems. If one or more third party suppliers that the Company engages to provide support and updates related to the Company's IT systems cease to perform business or become unable or unwilling to meet the Company's needs, the Company may not be able to find an alternative supplier immediately or on commercially acceptable terms, if at all. Such delay or inability to find a suitable replacement could adversely and materially affect the Company's business, results of operations, financial position, and future prospects.

To serve its customers, the Company must always maintain its data centre operations, which include network, storage, and server operations. Any significant disruption in operations and any major system failure or major virus attack could compromise the Company's ability to deliver services according to its contracts or to complete projects for its customers on a timely basis (which could trigger penalty and/or damages payments by the Company) and result in the loss of customers or curtailed operations, any of which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. In addition, if the Company loses any of its customers due to any performance problems, interruption, or failure of systems, this will lead to a loss of revenue, damage to the Company's reputation, and additional operating costs in order to correct any of these errors, in addition to the Company incurring additional losses that include addressing backlog issues when systems are restored, any of which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-15 Risks related to cyber-attacks

Due to the nature of the Company's business, it is exposed to cyber-attacks, including computer viruses, malicious or destructive code, phishing attacks, and denial of service attacks, which affect the confidentiality, integrity, and availability of its information and business data systems. The financial and strategic importance of the Company's customers may attract attacks from cybercriminals and cyber espionage. The Company's efforts to continuously monitor and evaluate its security system in terms of resources, service offerings, and organizational strength may not be sufficient to effectively counter emerging threats of cyber-attacks. An increase in social hacking (e.g., unauthorized third parties attempting to have access to data and information through direct personal interaction with the Company's employees) creates a risk for the Company. Human error by the Company's personnel poses a constant risk and the Company's efforts in awareness training and process improvements are unlikely to remove all risk for negative consequences of human error.

In addition, the Company's provision of cyber security services to its customers typically requires the Company to comply with certain security obligations. The Company may not be able to comply with all of those obligations, which may result in the Company no longer being able to work for the customer and a customer no longer being able to work with the Company. Consequently, this would result in the termination of a particular contract or liability for the Company and its customers. IT security breaches could lead to shutdowns or disruptions of the Company's systems and potential unauthorized disclosure of confidential information or data, including personal data. The Company may have to incur significant capital expenditures or other resources to protect against the threat of security breaches or alleviate the problems caused by such breaches. Any IT security breach or other issues in the future would have a material effect on the Company's business. The Company's procedures may not be sufficient to address future IT security breaches and other issues.

The theft or unauthorized use or publication of the Company's or its customers' confidential information or other proprietary business information as a result of an IT security incident could adversely affect the Company's competitive position and reputation, and reduce marketplace acceptance of the Company's services and solutions. If the Company's systems are compromised, resulting in reputational harm or its inability to deliver its solutions, this would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-16 Risks related to the protection of the Company's intellectual property rights

As at the date of this Prospectus, the Company and its material subsidiaries have two hundred and fourteen (214) trademarks registered in the Kingdom, including the Company's trademark, and the trademarks of the Company's products, as well as one patent (for more information about the Company's intellectual property rights, please see Section 12-9 "**Intangible Assets**" of this Prospectus). The Company's success and competitiveness depend on its ability to protect the intellectual property of its trademarks and the technologies, software, and platforms it develops under patents as well as other intellectual property rights. Even if the Company registers the intellectual property of its trademarks, technologies, and programs, there can be no assurance that they will not be used by third parties without the Company's permission, or be illegally copied, owned, or infringed. While the Company has registered its trademarks and obtained one patent, it may not be able to obtain protection for its trademarks and patent to meet the needs of the Company's business, or at all.

In addition, any of its intellectual property rights including patents, copyrights, trademarks, or other intellectual property rights may be challenged, limited, invalidated, held unenforceable, or otherwise circumvented by way of litigation or other proceedings. The Company may lose these intellectual property rights due to some of these proceedings or because such rights no longer provide a competitive advantage to the Company's platforms, products, and systems. As a result of the litigation procedures, the Company may incur significant costs and require a long time to process them. The Company enters into confidentiality agreements with its corporate partners, employees, consultants, vendors, and customers to limit the disclosure of the Company's proprietary information and professional secrets. However, there can be no assurance that these agreements will protect the Company against all parties who have access to the Company's confidential information. In addition, as the Company is a target of cyber-attacks, it may also be exposed to an increased risk of unauthorized access to its websites and thus its intellectual property may be infringed. The Company may also have to expend significant resources to monitor and protect intellectual property rights and, in some cases, may have to lodge lawsuits against third parties for infringement or other breach of the Company's intellectual property rights. Any such litigation, whether resolved in favour of the Company or not, will result in significant expenditures and divert the efforts of its technical and management staff towards such lawsuits. Attempts to enforce the Company's intellectual property rights against third parties may also cause such parties to assert their intellectual property or other rights against the Company, or lead to the invalidation or limitation of the Company's rights in whole or in part, which would have an adverse effect on the Company's business and results of operations, financial position, and future prospects.

2-1-17 Risks related to the protection of the Company's reputation and trademark

The Company believes that maintaining and enhancing its brand and product identity and reputation is very important, and affects its ability to attract and retain customers, partners, investors, and employees. The Company also believes that successful promotion depends on its ability to continue to provide high-quality programs and maintain relationships with customers, in addition to the ability to successfully differentiate between the Company's products and those of its competitors. The Company's reputation is susceptible to damage by actions or statements made by current or former employees, customers, competitors, or vendors, as well as investors and the media. Any negative or inappropriate media coverage may adversely affect the Company's brands and reputation. With increasing competition in the technology market, maintaining and promoting the Company's brands could be increasingly difficult and costly. Any damage to the Company's reputation could be time-consuming to repair. If the Company does not successfully maintain and enhance its brand identity and reputation, the Company may fail to attract and retain employees, customers, investors, or partners, grow its business, or maintain pricing power, which would result in the Company losing its current or potential future business and adversely affect its efforts to recruit and retain employees for the Company. There can be no assurance that the Company's customers will not eventually use its platforms for purposes inconsistent with the Company's values. Any such uses may cause damage to the Company's brands and reputation. Any of these factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-18 Risks related to third-party intellectual property rights

The Company or its services, software, and solutions could infringe on the intellectual property rights of third parties with which the Company deals when it integrates third-party services, software, and solutions into the Company's services provided to customers. Although the Company is not currently aware of any infringement claims, third parties may, in the future, assert claims against the Company or the Company's customers alleging infringement, misuse, or breach of patents, copyrights, trademarks, or other intellectual property rights. Infringement claims could harm the Company's reputation, result in liability for the Company, or prevent the Company from offering some services, software, or solutions. Any claims against the Company that the Company's services, programs, or solutions infringe the intellectual property rights of third parties may result in the Company incurring heavy costs to defend itself and settle these claims, and may divert the efforts and attention of the Company's management and technical team in these claims from the Company's business. In addition, as a result of any such intellectual property infringement claims, the Company could be required to:

- discontinue using, licensing, or offering particular services, software, solutions, technologies, or processes subject to infringement claims;

- develop other technology not subject to infringement claims, which could be costly or may not be possible;
- obtain rights to use intellectual property rights; or
- enter into settlement negotiations with third parties who bring claims alleging the infringement of third-party intellectual property rights against the Company.

The occurrence of any of the foregoing could result in unexpected increased expenses. In addition, if the Company alters or discontinues offering a particular service, software, or solution as a result of an infringement claim, the Company's revenue could be affected. If a claim of infringement were successful against the Company or its customers, an injunction might be ordered against the Company's customers or the Company's own operations, causing further damages.

The Company presently licenses intellectual property from various third parties and other owners of proprietary software. In the future, the Company may have to renew licenses for their various aspects or obtain new licenses for existing or new applications or other products and services. Such required licenses may not be available to the Company on favourable commercial terms or at all. The Company's licenses may also be terminated by third parties for several reasons, including any actual or apparent breach of information security and privacy or any reputational concerns. In addition, the licenses may not be renewed. If licenses are terminated or cannot be obtained from third parties on favourable terms or at all, or if there is a need to be involved in judicial proceedings regarding these issues, this may result in the suspension of the Company's products or the delay of their launch until another similar technology is obtained, licensed, or developed and then integrated with the Company's services or platform, which would have a material adverse effect on its business, financial condition, results of operations, and future prospects.

Additionally, any infringement of such licenses by the Company or the Company's customers including, but not limited to, not obtaining the correct number of licenses or exceeding the scope of such licenses, could lead to substantial costs to the Company and have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-19 Risks related to open-source software

The Company uses items licensed by their owners or third parties under "**open source**" licenses in its own software. The Company uses eight (8) different types of open source software (for more information, please see Section 12-9-2 "**Other Intangible Assets**" of this Prospectus). Some open source licenses, by their nature, require the Company to provide the source code for modification or programs derived from open source software, and to license such modifications or derivative works under the terms of the open source license or other licenses that grant third parties rights of use. If the Company integrates its proprietary software with open source software in certain ways, the Company may be required, under specific provisions of the open source licenses, to provide source code for its proprietary software. In addition to the risks related to licensing requirements, the use of open source software could result in greater risks than the use of commercially licensed software by third parties. Typically, open source licenses do not provide any updates, guarantees, support, compensation, or control over the source software. Moreover, some open source projects may include security vulnerabilities or other disruptions that may be known or vulnerable to security attacks due to their high availability.

In addition, the terms of open source licenses may be ambiguous and many of the risks related to the use of open source software are unavoidable and, if not properly addressed, could adversely affect the Company's business. If the Company does not use open source software appropriately, it may have to reprogram its platforms or publish its source code or stop selling its platforms if it is unable to program them it in a timely manner or adopt any other corrective actions. This could divert resources away from developing and growing the Company's business, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects. If open source software is not maintained by its owners, it may be difficult for the Company to make the necessary modifications to the software, including modifications related to security vulnerabilities, which could affect the Company's ability to reduce cyber-security risks or fulfil its obligations to its customers. The Company may also face claims from third parties to enforce the terms of an open source license, including a requirement to publish open source software, derivative works, or source code used in programming such software. Such claims could result in litigation, which may be time-consuming and costly to resolve or defend against. These claims could distract the attention of the Company's management and require the Company to lease its proprietary source code or dedicate its research and development resources to changing the software, which would have an adverse effect on the Company's business.

It may be difficult to avoid or manage many of the risks related to the use of open source software. If the Company does not address such risks properly, they may have an impact on the performance of the Company's products and business, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-20 Risks related to dependence on the senior management team

The Company's success depends upon its ability to identify, hire, develop, motivate, and retain a highly-qualified senior management team. The Company's future performance will be affected by any disruptions in the continued service of its executives and other officers, notwithstanding succession planning arrangements that the Company has in place. Any departure or transition of key management personnel could disrupt the Company's operations or customer relationships, or materially impact its results of operations. Competition for senior management in the digital service industry is intense, and the Company may not be able to retain senior management personnel or attract and retain new senior management personnel in the future. The Company's competitors may seek to recruit members of the Company's senior management personnel and may succeed in such efforts. The loss of any member of the Company's senior management, whether due to non-renewal of their contracts or inability to recruit new qualified personnel with the same experience for reasonable remuneration, may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-21 Risks related to the ability to attract and retain highly skilled digital services professionals

The Company's success to date has depended, and will depend, to a significant extent upon the Company's ability to attract and retain highly qualified digital service professionals. In particular, the Company must attract, train, and retain appropriate numbers of talented people with diverse skills, including project managers, digital service engineers, and other senior technical personnel, in order to serve customer needs and grow the Company's business. Accordingly, if the Company is unable to attract and retain qualified digital service employees, this will affect its ability to develop new business and effectively lead its current projects.

The Company's ability to maintain and renew existing engagements and obtain new business will also depend, in large part, on its ability to attract, train, and retain technical personnel with skills that keep pace with continuing changes in digital services, evolving industry standards, and changing customer preferences. The Company's profitability also depends on its ability to effectively utilize personnel with the right mix of skills and experience to support the Company's projects. The processes and costs associated with recruiting, training, and retaining employees place significant demands on the Company's resources. In addition, the demands of changing technology, its evolving standards, and changing customer preferences may require the Company to redeploy and retrain the Company's digital service professionals.

Moreover, certain employees may be required to obtain certain security permits to work on certain government projects secured by the Company and have extensive training to participate in certain engagements with customers or perform certain tasks. If the Company loses employees who have obtained security permits and related training, the necessary security permits for its new employees may not be issued on time or at all. The new employees may take a long time to obtain the necessary training, which would adversely affect the Company's ability to effectively perform government contracts.

The Company believes there is a shortage of, and significant competition for, professionals with the advanced technological skills necessary to provide the services and solutions the Company offers, particularly in the Kingdom, where finding employees with the right skill set for the Company's business is challenging. The Company's profitability and ability to compete for and manage customer engagements could be adversely affected if the Company cannot manage employee hiring and turnover to achieve a stable and efficient workforce structure, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-22 Risks related to reliance on technology partners, suppliers, service providers, and subcontractors

In order to operate and manage its business, the Company relies on products and services provided by third parties from suppliers and subcontractors. These services include providing human resources and facilitating recruitment, in addition to the fact that the Company also cooperates with global technology vendors and integrates them into the solutions it offers to customers. The term of such agreements ranges from one to ten years, either automatically renewed or renewable, and the Company has the right to terminate them at any time by written notice or in the event of any breach by the supplier of the contract, such as the supplier's failure to deliver or delay in delivering on time or with the required quality. In addition, under the supply agreements, either party may not assign the contract and the supplier may not subcontract it without the Company's written consent (for more information about supplier agreements, please see Section 12-6-3 "**Supplier Agreements**" and 12-6-10 "**IT License Agreements**" of this Prospectus). If the Company loses access to partner products or margins tighten on its partner products, this may negatively affect the Company's business. Any restriction by any third-party suppliers and subcontractors upon which the Company relies, in addition to temporary and permanent discontinuation of their business or inability to provide their services at prices or conditions acceptable to the Company, will adversely affect the Company. Accordingly, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Moreover, the Company is unable to directly guarantee the effectiveness and quality of subcontractors when they execute contracts. The Company may be indirectly liable if these suppliers and subcontractors are not able to implement such contracts and deliver services within the specified timeframe and to the agreed standards. If the Company subcontracts with any suppliers or contractors, the Company shall remain responsible before its customers for the implementation of the relevant contracts (for more information about the supplier agreements, please see Section 12-6-3 "**Supplier Agreements**" of this Prospectus). If the Company is unable to pass through losses (in whole or in part) as a result of supplier or subcontractor default, such loss will have to be borne by the Company. Accordingly, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Moreover, the Company contracts with a number of vendors to provide or resell software licensing services to customers or provide technical services that include certain restrictions on the number of users authorized to use the software (for more information about the supplier agreements, please see Section 12-6-10 "**IT License Agreements**" of this Prospectus). The vendors of such services review the number of users and permitted licenses. Therefore, if the Company does not obtain a correct number of user licenses from these vendors or if the Company or any of its customers does not comply with the terms of the agreements with customers, the Company will be subject to legal or financial proceedings to be filed by such contracting parties, which could lead to the Company incurring additional costs. This would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-23 Risks related to the failure to implement future strategies successfully, on time, or at all

The Company's future performance depends on its ability to implement its plans and growth strategies, which include winning new bids for projects and developing new solutions for customers. These activities depend on the Company's ability to continue implementing and improving its operational and management information systems efficiently in a timely manner, as well as obtaining any required regulatory authorities' approvals. There is no assurance that the Company's personnel or its existing systems will be sufficient to support future expansion and growth or that it will be able to obtain any necessary approvals for any future growth plans in a timely manner or at all. Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional funding may result in missing the intended economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-24 Risks related to recent or future acquisitions

As part of its growth strategy, the Company has been evaluating various growth opportunities. Depending on the right strategic fit and financial profile, the Company may decide to acquire new businesses, technologies, services, products, and other assets from time to time. For example, at the end of 2020G, the Company acquired Tabadul (for more information about the Company's subsidiaries, please see Section 4-3-2 "**Overview of Subsidiaries**" of this Prospectus). Acquisitions may entail various risks, including that the Company may not be able to accurately assess the value, strengths, and weaknesses of the acquisition or investment targets, effectively integrate the purchased businesses or assets, achieve the expected synergies, or recover the purchase costs of the acquired businesses or assets. The Company may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any business or asset it acquires, including in relation to the retention of key employees, legal contingencies (such as contractual, financial, regulatory, environmental, or other obligations and liabilities), risks related to the acquired business, and the maintenance and integration of procedures, controls, and quality standards. These difficulties could impact the Company's on-going business, distract its management and employees, and increase its expenses which could, in turn, have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-25 Risks related to the Company's investments and strategic partnerships

The Company currently has investments and strategic partnerships, and it may enter into any such investments and strategic partnerships in the future to achieve its long-term strategic plans and objectives (for more information about the Company's investments, please see Section 4-5 "**Venture Investment Management**" of this Prospectus). The Company may not have a controlling interest in the investments and strategic partnerships that it enters into, which does not give the Company any guarantees as to its investment objectives. The Company's objectives may not be compatible with its partners' objectives, and such partners may breach their obligations under the agreements entered into with the Company. In addition, investments and strategic partnerships require considerable time and tremendous effort from the Company and there can be no assurance that any of these investments and strategic partnerships will be successful. Investments also entail many risks, such as the failure to achieve the expected return on investment or loss of all or part of the Company's investment. Such investments may also lead to the Company incurring unexpected obligations and having to cooperate with a strategic partner that may not be cooperative with the Company. Any of these factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-26 Risks related to the inadequacy of insurance coverage

The Company maintains insurance coverage through several types of insurance policies including, but not limited to, all-risk property insurance and motor insurance. The Company believes that it has acquired insurance against relevant risks at a reasonable and commercially adequate amount for its business (for more information on the Company's insurance policies, please see Section 12-10 "**Insurance**" of this Prospectus). However, the Company's operations may be affected by a number of risks not covered by insurance or which are covered but at unreasonable prices. Future accidents may occur for which the Company may not be insured against to cover potential losses or may not be insured at all. In addition, the Company's insurance policies include exceptions or limits for coverage. In these cases, the Company would incur losses that could have a material adverse effect on its business and results of operations.

Moreover, situations may arise that may force the Company to claim compensation from the relevant insurer with respect to any insured losses or damages. The Company's claims may exceed the value of the insurance policy, or the damage may not be covered by insurance. The Company's claim may be rejected by the relevant insurer. The Company may also be unable to obtain sufficient insurance coverage due to an increase in insurance premiums or due to the unavailability of such coverage (due to an increase in the premium, the deductible, or co-insurance requirements). Any of these factors would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-27 Risks related to licenses, certificates, permits, and approvals

The Company is subject to a number of laws and regulations that require it to obtain the necessary licenses and permits from competent legal and regulatory authorities in the Kingdom to exercise its business activities. The Company currently maintains a number of licenses, certificates, permits, and approvals related to its business activities, including, but not limited to, commercial registration certificates obtained by the Company from the Ministry of Commerce, municipality licenses, and civil defence permits. The Company started its business operations in Jeddah but is still in the process of obtaining a commercial registry certificate and municipal license for the site as at the date of this Prospectus. In addition, the Company has not had the necessary municipal licenses for four (4) sites in Riyadh, but it is in the process of obtaining these as at the date of this Prospectus. Since its municipal license has expired, Tabadul is in the process of renewing it as at the date of this Prospectus. If the Company and its material subsidiaries conduct their business without obtaining or renewing the necessary licenses, they may be subject to penalties and fines for continuing to conduct business without correcting their situations.

If the Company desires to renew or amend the scope of such licenses, certificates, or permits, the competent authority may not renew or amend such documents and, in case of renewal or amendment, the competent authority may impose additional conditions that may adversely impact the Company's performance. Although the Company may believe that it has fulfilled all the necessary requirements and obtained the necessary licenses to operate, a government entity may request that additional licenses be issued or further requirements fulfilled in the future (for more information about the Company's material licenses, please see Section 12-4 "**Material Licenses**" of this Prospectus).

The Company may be required to cease certain operations if it is unable to renew a license, or if a license is suspended, cancelled, revoked, or renewed under unfavourable terms, or if the Company fails to obtain additional licenses that may be required in the future, which may cause interruptions and/or result in the Company sustaining additional costs. Any of these procedures would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The Company may also be subject to regulatory action for the violation of its key licenses and permits. Violations of applicable laws and regulations in the Kingdom may expose the Company to administrative lawsuits, civil cases or criminal prosecution, or prevent the Company from participating in certain types of business or providing certain products or services, which would have a material adverse effect on the Company's business, financial position, results of operations, and future prospects. The Company also cannot predict the effect that any future investigations by regulatory bodies will have on its business, financial condition, or results of operations.

2-1-28 Risks related to employee misconduct and errors

The Company's employees may commit any misconduct or errors that may adversely affect the Company's business and result in a violation of laws, which could lead to regulatory penalties being imposed on the Company by the competent authorities. Such penalties would vary according to the misconduct or error and would cost the Company financial liability and/or damage its reputation. Such misconduct and/or errors may include:

- unauthorized dissemination of confidential information or trade secrets to a customer, a competitor, or the market;
- culturally insensitive behaviour;
- engagement in the misrepresentation of products or fraudulent, deceptive, or otherwise improper activities while marketing the Company's products to current or potential customers;
- lack of compliance with applicable laws or internal controls and procedures; and
- failure to document transactions properly in accordance with the Company's standardized documentation and processes, failure to take appropriate legal advice in relation to non-standard documentation, or failure to obtain proper internal authorization.

There can be no assurance that the Company's corporate governance and compliance policies (including with respect to sanctions and trade restrictions, anti-bribery and anti-corruption, employee conduct and whistleblowing policies in relation thereto) will protect it from improper conduct of its employees. If any of the Company's employees commits any misconduct or errors that result in financial liabilities and/or penalties, this will have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-29 Risks related to Related Party transactions

In its ordinary course of business, the Company is party to various transactions with Related Parties and it will continue to enter into related-party transactions in the future (for more information about related-party transactions, please see Section 12-7 "**Agreements with Related Parties**" of this Prospectus).

The total value of the Company's related-party transactions amounted to eight million, six hundred and seventeen thousand, eight hundred and seventy-seven Saudi Riyals (SAR 8,617,877), twenty-four million, seven hundred and ninety-nine thousand, five hundred and ninety-three Saudi Riyals (SAR 24,799,593), twenty-six million, two hundred and forty-eight thousand, five hundred and twenty-four Saudi Riyals (SAR 26,248,524), and eighteen million, one hundred fifty-three thousand, four hundred and twenty-six Saudi Riyals (SAR 18,153,426) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 0.4%, 1.2%, 1.1%, and 1.0% of the Company's revenue in the same periods, respectively. The Company obtained the approval of the General Assembly for all Related Party transactions that require such approval on 20/04/1443H (corresponding to 25/11/2021G).

In addition, the Company has in the past entered into, and may in the future enter into, arm's-length transactions with Related Parties. Pursuant to the provisions of the Companies Law, some transactions must be authorized by the Company's Ordinary General Assembly. To the extent that current or future related-party transactions are not authorized by the Company's General Assembly, the Company may be exposed to the risk of such transactions being challenged or invalidated. If future related-party transactions are not entered into on an arm's-length basis, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-30 Risks related to litigation

As at the date of this Prospectus, the Company is subject to commercial lawsuits as defendant with a total financial impact of twenty three million Saudi Riyals (SAR 23,000,000) and one labour lawsuit as defendant with a total financial impact of three hundred seventy two thousand, nine hundred thirty Saudi Riyals (SAR 372,930). Tabadul is also involved in commercial lawsuits as a defendant with a total financial impact of twenty-four million, nine hundred and forty-five thousand, seven hundred and sixty Saudi Riyals and one halala (SAR 24,945,760.01). Emdad Al Khebrat is also involved in labour lawsuits as a defendant with a total financial impact of ninety-eight thousand, one hundred and ninety-one Saudi Riyals (SAR 98,191) (for more information, please see Section 12-11 "**Claims and Litigation**" of this Prospectus). Tabadul has created a provision of SAR 15 million for the lawsuit brought against it. The Group cannot predict the outcome of such proceedings, and any unfavourable outcome could have a material adverse effect on the business, results of operations, financial position, and prospects of the Group. In addition, the Group anticipate that they will incur the costs related to such proceedings brought by or against them or due to such claims or judgements, including penalties and damages imposed on them. Therefore, any decision that is not in the favour of the Group would have a material adverse effect on the Group. In the event that the Group is subject to a judicial or quasi-judicial decision not in its favour, and such decision requires the payment of large compensatory amounts beyond the financial capacity of the Group or, in the case of Tabadul, beyond the provision it has set for the lawsuits brought against it, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-31 Risks relating to financing

a) Current financing

The Company has entered into two financing agreements with a maximum total value of four hundred and one million Saudi Riyals (SAR 401,000,000) as at the date of this Prospectus. These agreements were entered into with Riyad Bank on 12/01/1441H (corresponding to 11/09/2019G) and Samba Financial Group (currently, the Saudi National Bank) on 17/02/1442H (corresponding to 04/10/2020G) (for more information about the Company's financing arrangements, please see Section 12-6-8 "**Financing Agreements**" of this Prospectus). The relevant facility agreements relating to these financing arrangements contain certain covenants and events of default, including the Company's failure to pay any amounts or perform any liabilities owed by the Company under the financing agreements; the existence of a lawsuit, judicial proceeding, or attachment; the issuance of an order, decision or judgement to liquidate the Company's business; the appointment of a receiver against the Company or one of its guarantors or associates/subsidiaries; or any of the Company's debts becoming due and payable or considered to be due and payable before its specified date or the failure to pay any debt when it becomes due. If the Company defaults on any of its obligations under these facility agreements, this will trigger an event of default pursuant to which the lender has the right to terminate the facility agreement and demand payment of all outstanding amounts, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

b) Future financing

In the future, the Company may need to obtain financing from commercial banks, governmental lenders, and/or other financiers to cover its working capital requirements or implement future growth plans. The Company's ability to obtain loans and facilities from lenders at lower costs or under acceptable terms depends on its future financial position, global economic conditions, financial market conditions, interest rates, available credit from banks or third-party lenders, and lenders' trust in the Company. The Company may not be able to obtain such financing at all or at reasonable terms for any reason, such as restrictions under any existing financing, lenders' perception of the Company, or the Company's future results of operations, financial position, and cash flows. Borrowing at variable interest rates may also make the Company vulnerable to increases in interest and/or commission rates (which may be significantly affected by factors beyond the Company's control, such as monetary and tax policies and global economic and political conditions), and the Company may not guarantee that it will be able to obtain such financing at reasonable terms or at all when necessary. Any increase in interest and commission rates, whether fixed or variable, applied by banks will lead to higher financing costs incurred by the Company, which would adversely affect its future profitability and ability to pay and fulfil its obligations to lenders. As a result, it may not be able to take advantage of business opportunities, such as acquisition opportunities, or to react to changes in market or industry conditions. The occurrence of any of the above events would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-32 Risks related to the Company's real estate properties

The Company entered into a contract regarding the Company's headquarters with Raidah Investment Company on 29/08/1432H (corresponding to 30/07/2011G) to purchase the land and the completed building erected therein in return for specific annual instalments totalling two hundred and ninety-three million, four hundred and thirteen thousand, two hundred and eighty-nine Saudi Riyals (SAR 293,413,289), provided that the land remain the property of Raidah Investment Company pursuant to the title deed and is not conveyed until the Company pays the last instalment (for more information about the agreement with Raidah Investment Company, please see Section 12-6-9 "**Real Estate Agreements**" of this Prospectus). The Company may sub-lease the same only to the Company's affiliates or partners, provided that the prior written approval of Raidah Investment Company is obtained. If the Company fails to pay three (3) instalments due on time, Raidah Investment Company may vacate the land and building upon written notice of forty-five (45) days, which in turn will lead to a disruption of the Company's business, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

With the exception of the Company's headquarters and a land owned by Tabadul, the Group does not own any real estate properties as at the date of this Prospectus. All of the Group's locations are leased properties (for more information about the Company's real estate properties, please see Section 12-8 "**Real Estate**" of this Prospectus). The Company has entered into ten (10) lease contracts for its offices in Riyadh and Jeddah, and Tabadul has entered into one lease contract for its office. The terms of these leases range from two (2) to ten (10) years, automatically renewed unless either party gives the other a ninety (90) day notice of its intent not to renew prior to the expiry of the initial or renewed lease term. The annual rent under each lease ranges from ninety-two thousand, four hundred Saudi Riyals (SAR 92,400) to ten million, seven hundred and fifty-seven thousand Saudi Riyals (SAR 10,757,000) annually. Under these lease contracts, the Company may not sub-lease or assign the lease contract to third parties or change the purpose of the lease without the prior written consent of the lessor. The lessor may also terminate the lease in certain cases, including in case of default or breach of contract terms without correction or in the event of bankruptcy and insolvency (for more information about the lease agreements related to the Company's offices, please see Section 12-6-9 "**Real Estate Agreements**" of this Prospectus). Since the Company's lease agreements have a fixed term and are renewed at the request of the parties to the contract, any rental increase imposed by the lessors on the Company upon renewal will cause the Company to incur additional unforeseen liabilities, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. In addition, the Company may not be able to renew all lease contracts, or such contracts may be renewed under different terms and conditions that may not be commensurate with the Company's plan and strategic objectives. If the Company decides to vacate any of its rented sites due to the termination of lease contracts in accordance therewith, or non-renewal of such contracts, or because the renewal terms do not align with the Company's plan, the Company will incur the additional costs of choosing suitable sites to rent, which may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-33 Risks related to the Company's non-compliance with the Corporate Governance Regulations

The Board of Directors approved the Company's Internal Governance Manual on 25/03/1437H (corresponding to 31/10/2021G). The Company also approved the Audit Committee Charter pursuant to the Ordinary General Assembly's resolution issued on 12/03/1443H (corresponding to 18/10/2021G), and the Nomination and Remuneration Committee Charter, Board Nomination Policy, Remuneration Policy and Dividend Distribution Policy pursuant to the Extraordinary General Assembly Resolution issued on 20/04/1443H (corresponding to 25/11/2021G) (for more information on the Corporate Governance Manual, please see Section 5-9 "**Corporate Governance**" of this Prospectus). This Governance Manual includes rules derived from the CMA's Corporate Governance Regulations and the Companies Law. The Company's success in properly implementing corporate governance rules and procedures depends on the extent of the comprehension and understanding of these rules and regulations and the proper execution thereof by the Board, its committees, and senior management, especially with regards to Board independence requirements, conflict of interest procedures, and disclosure requirements. Failure to comply with the mandatory provisions of the CMA's Corporate Governance Regulations and the Companies Law could expose the Company to regulatory penalties, including for any previous breach committed prior to the Offering, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The Company formed the Audit Committee pursuant to the resolution of the Extraordinary General Assembly on 20/04/1443H (corresponding to 25/11/2021G)) and the Nomination and Remuneration Committee and the Investment Committee pursuant to the Board resolution dated 20/04/1443H (corresponding to 25/11/2021G) (for more information about the Company's Board committees, please see Section 5-4 "**Board Committees**" of this Prospectus). Failure by members of such committees to perform their duties and adopt a framework that ensures the protection of the Company's interests and those of its shareholders may affect the Company's compliance with corporate governance and continuing disclosure requirements and the Board's ability to monitor the Company's activities through such committees, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

It should be noted that the Board of Directors, the Audit Committee, and the Nomination and Remuneration Committee will not include the required number of independent directors during the period from the date of Listing until the election of the independent directors (for more information about the Company's undertakings regarding the election of independent directors to the Board of Directors, please see Sections 5-9 "**Corporate Governance**" and Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus). Therefore, during such period, there will be an insufficient number of independent directors to perform the roles assigned thereto to ensure that the Board has the required level of independence to protect the interests of minority shareholders in the Company, including the public. In addition, the Company's failure to comply with any of the requirements of the Corporate Governance Regulations could result in fines imposed by the CMA on the Company, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-34 Risks related to lack of experience managing a joint stock company listed on the Exchange

The Company operated as a limited liability company from the date of its incorporation until it was converted to a closed joint stock company 03/11/1428H (corresponding to 13/11/2007G). Accordingly, not all members of the Company's senior management have experience managing a joint stock company listed in the Kingdom and complying with the laws and regulations specific to such companies. In particular, the internal or external training that Senior Executives receive in managing Saudi public joint stock companies, coupled with the obligations imposed on public companies, such as regulatory supervision and reporting, will require great attention from Senior Executives, which could divert their attention away from the day-to-day management of the Company. If the Company does not comply with the regulations and disclosure requirements imposed on listed companies in a timely manner, it will be exposed to regulatory sanctions and fines. The imposition of fines on the Company will materially and adversely affect the Company's business, results of operations, financial position, and future prospects.

2-1-35 Risks related to accounting estimates and assumptions and revenue recognition

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the amounts of revenue, expenses, assets, and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions in question are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only such period or in the period of the revision and further periods if the revision affects both current and future periods (for more information about accounting estimates and assumptions, please see Section 6-4 "**Summary of Significant Accounting Policies**" of this Prospectus).

In accordance with IFRS 15, the Company recognizes revenues and costs related to its customers prior to payments from customers being due. The recognition of these revenues in the Company's statement of income is offset by recording contract assets (or contract liabilities if the Company received the amount due from the customer or the payment was due but the revenue has not yet been recognized) in the statement of financial position until the performance obligation is satisfied by the Company. Accordingly, the Company faces the risk of overestimating or underestimating its accounting revenues and assets. The assets could be subject to future eliminations or disputes. If a customer rejects the invoices, the Company recognizes a provision for bad debts in the statement of financial position, and selling and marketing costs in the statement of income based on the ECL allowance policy and in accordance with IFRS 9 (for more information about accounting estimates and assumptions, please see Section 6-4 "**Summary of Significant Accounting Policies**" of this Prospectus).

2-1-36 Risks related to contract assets/contract liabilities

As at 31 December 2018G, 2019G, 2020G and 30 June 2021G, expected credit losses accounted for 5.95%, 6.69%, 16.94% and 10.02% of the total government contract assets, respectively. Expected credit losses accounted for 10.84%, 11.37%, 33.80%, and 17.30% of the total commercial contract assets in the financial years ended 31 December 2018G, 2019G, 2020G and 30 June 2021G, respectively. The largest part of the total contract assets, i.e. 91.70%, as at 30 June 2021G represents amounts related to governmental entities in line with a large number of projects with them. Net government contract assets amounted to two hundred and thirty-seven million, six hundred and thirty-seven thousand, two hundred and nine Saudi Riyals (SAR 237,637,209), three hundred and fifty million, nine hundred and forty-five thousand, two hundred and eighty-six Saudi Riyals (SAR 350,945,286), two hundred and fifty-two million, two hundred and seventy-four thousand, seven hundred and ninety-two Saudi Riyals (SAR 252,274,792), and four hundred and ninety-seven million, six hundred and ninety-four thousand, two hundred and forty-nine Saudi Riyals (SAR 497,694,249) as at 31 December 2018G, 2019G, and 2020G and 30 June 2021G, respectively. As at 30 June 2021G, government contract assets that have not been invoiced for more than three hundred and sixty-five (365) days amounted to one hundred and twenty-four million, six hundred and thirty-five thousand, eight hundred and thirty-five Saudi Riyals (SAR 124,635,835), representing 21% of the total contract assets as at June 30 2021G. Commercial contract assets that have not been invoiced for more than three hundred and sixty-five (365) days amounted to thirteen million, eight hundred and twenty-one thousand, seven hundred and three Saudi Riyals (SAR 13,821,703), representing 2% of the total contract assets as at 30 June 2021G. Total contract assets were three hundred and forty-seven million, eighty-four thousand, nine hundred and twelve Saudi Riyals (SAR 347,084,912), four hundred and forty-seven million, six hundred and eight thousand, eight hundred and ten Saudi Riyals (SAR 447,608,810), three hundred and twenty-nine million, one hundred and eighty-four thousand, eight hundred and forty-four Saudi Riyals (SAR 329,180,844), and six hundred three million, one hundred and sixty-one thousand and fifty-three Saudi Riyals (SAR 603,161,053) as at 31 December 2018G, 2019G, 2020G and 30 June 2021G, respectively.

As at 31 December 2018G, 2019G, and 2020G and 30 June 2021G, contract liabilities were two hundred million, eighty-four thousand, three hundred and sixty-two Saudi Riyals (SAR 200,084,362), one hundred and eighty-six million, three hundred and eighty-nine thousand and ninety-nine Saudi Riyals (SAR 186,389,099), two hundred twenty-seven million, and two hundred eighty-two thousand, five hundred twenty Saudi Riyals (SAR 227,282,520), and one hundred ninety-nine million, five hundred and thirteen thousand, two hundred and twenty-nine Saudi Riyals (SAR 199,513,229), respectively, accounting for about 16.1%, 14.31%, 12.69% and 9.62% of the total liabilities as at 31 December 2018G, 2019G, and 2020G and 30 June 2021G, respectively. If the Company faces material errors related to accounting estimates and assumptions, or if it faces major disputes or eliminations in its accounting revenues in the future, this will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-37 Risks related to a mismatch between incurrence of project costs and collection of revenue for certain projects

With important and reliable governmental customers, given the nature and importance of a particular project with certain customers, the Company may commence project execution and development activities prior to signing a contract with the customer. In these projects, there is usually a lead time between the incurrence of project costs and recognition of revenue (in line with accounting standards applicable in the Kingdom). Therefore, any delay in the Company's ability to obtain a signed contract with a customer under such arrangements could reduce the Company's revenue in such period or render it entirely unable to collect payment for implementation and development costs that were incurred for work that has already been performed, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-1-38 Risks related to working capital

The Company may, in the future, face difficulties covering the needs of or properly managing working capital. While the Company's credit facilities and financing agreements may contribute to covering such needs, they may not be sufficient to cover these needs. Difficulties in managing working capital may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2 Risks relating to the industry in which the Company operates

2-2-1 Risks related to competition

The digital services market is intensely competitive, highly fragmented, and subject to rapid change and evolving industry standards. The Company expects competition to continue or intensify in the future. There can be no assurance that the Company will continue to effectively compete with other companies in the market. The Company also expects that a large number of companies and entities will seek to develop products that may compete now or in the future with some or all aspects of the Company's platforms. The Company may not succeed in developing new platforms, products, and programs and may fail to keep up with market developments.

The Company's competitors include major companies and established companies as well as start-ups that have not previously entered the technology market. To compete effectively, the Company may have to make significant additional investments in research and development, services, marketing, and sales in order to respond to competition. There can be no assurance that the Company will be able to compete successfully at the present time or in the future. In addition, there may be one or more existing market leaders in any vertical that the Group decides to expand into, including international companies. Such companies may be able to compete more effectively than the Company by leveraging their experience in doing business in such markets as well as their customer base, deeper industry insight, and greater brand recognition among customers. In addition, such companies may have larger budgets and resources or wider geographical presence that make them outperform the Company.

In addition, some of the Company's competitors have broader and more diversified product and service offerings. They may be able to enhance their customer relationships based on other products they offer to their customers or offer an additional feature on the platforms offered to their customers. As a result, if the Company fails to adequately differentiate its services from those of its competitors, it may experience a decrease in the demand for its services. New and innovative start-ups and larger companies that make significant investments in research and development may offer products with better performance or functionality that are easier to implement or use and contain the Company's existing technology developments. Competitors may invent similar or better platforms and technologies that compete with the Company's services. The Company's competitors may also establish cooperative relationships with each other or with third parties that may further improve their resources. In addition, the Company's competitors may have a completely different pricing or distribution model that is more attractive to customers. This may cause the Company to respond to those competitive prices and make offers and discounts that do not necessarily attract more customers and result in lower profit margins and a loss of the share market.

If the Company is unable to compete successfully with its current or potential competitors, or if successful competition requires costly procedures in response to its competitors' procedures, this will lead to the Company losing its market share, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-2 Risks related to changes in the regulatory environment

The Company is subject to a range of Saudi laws and regulations administrated by a number of government entities in accordance with government policies and directives. They include the Competition Law, the VAT Law, the Companies Law, the Customs Law, the Labour Law, the Telecommunications Law, the Government Tenders and Procurement Law, data protection and cyber security laws and other regulations, as well as the requirements of the regulators that the Company is subject to their oversight. The Company's business depends on its ability to comply with the requirements of these laws when it comes to the management of its operations and throughout project execution.

The Company cannot foresee changes in the regulatory environment, which may be subject to numerous changes, including changes to data localization, data protection, and cyber-security controls and the introduction of other technology-specific regulations and laws, changes to the tax laws, and the adoption of tougher antitrust, pricing, and corporate governance regulations, amongst others. The Company's failure to comply with all the requirements and provisions of the laws to which it is subject may cause the Company to incur fines or penalties, which would have a material adverse effect on the Company's business, financial position, results of operations, and future prospects. The Company may also have to change its business practices to comply with these regulations, and thus incur additional costs and fees, which would have a material adverse effect on its business, results of operations, financial position, and future prospects.

Changes in the regulatory environment may affect the Company's operations by imposing restrictions that may limit the Company's development, customers, operations, sales, or services, increase the level of competition, or increase the costs of complying with any new requirements, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-3 Risks related to data protection and cyber security systems

As a digital service provider, the Company collects and processes personal data and other data from its customers and prospective customers, including data it obtains from the relevant government entities. The Company uses this information to provide solutions to its customers, validate user identity, fulfil contractual duties, administer billing and support, expand and improve its business, and communicate and recommend products and services through its marketing and advertising channels. The Company may also share customers' personal data with certain third parties. As a result, the Company has to comply with local laws and regulations, including data protection, data localization, and cyber-security requirements in the Kingdom and other countries where the Company may operate in the future.

For example, the Company is subject to the national data governance policies issued by the National Data Management Office, which apply to all entities that process personal data in the Kingdom, and is seeking to fully apply such policies as at the date of this Prospectus. In addition, the Company may have to apply the cyber security controls published by the National Cyber Security Authority, including the basic cyber security controls, cyber security controls for sensitive systems, cyber security controls for cloud computing, and national standards for encryption, in addition to the regulatory frameworks established by CITC, such as the regulatory cloud computing framework, the General Principles for Personal Data Protection in the Telecommunication and Information Technology Sectors, the procedures for launching services or products based on users' personal data or sharing personal data, and the regulatory IoT framework. These rules may apply to the Company depending on the nature of transactions, the type of projects and customers, and their requirements. In general, the Company is substantially compliant with these regulations and is working to fulfil certain requirements as at the date of this Prospectus.

It should be noted that the Personal Data Protection Law was promulgated under Royal Decree No. M/19, dated 09/02/1443H (corresponding to 16/09/2021G), which shall enter into force one hundred and eighty (180) days after the date of its publication in the Official Gazette (i.e., on 17/02/1443H (corresponding to 24/09/2021G)). This Law applies to any personal data processing by any means in the Kingdom, whether it relates to the data of a citizen or resident, and includes a number of requirements to protect the rights of personal data owners, which the Company must implement. As a result, the Company may be required to change its operations to comply with the requirements of the Personal Data Protection Law.

Globally, new and evolving regulations regarding data protection, data localization, cyber-security, and other standards governing the collection, processing, storage, transfer, export, disclosure, and use of personal data may impose additional burdens on the Company due to increased compliance standards that could restrict the use and adoption of the Company's solutions and applications. Future laws, regulations, standards, and other obligations and changes in the interpretation of existing laws, regulations, standards, and obligations may impair the Company's ability to collect, process, store, transfer, export, use, or disclose personal data, increase its costs, and impair its ability to maintain and expand its customer base and increase its revenues. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, and contractual and other obligations may require the Company to incur additional costs and restrict its business operations. Such laws and regulations may also require companies to implement privacy and cyber-security policies, permit users to access, correct, and delete personal data stored or maintained by such companies, inform individuals and regulators of security breaches or breaches affecting individuals' personal data, and, in some cases, obtain the express consent of individuals to use, process, store, transfer, export, and disclose personal data for certain purposes. If the Company or third parties on which it relies fail to comply with applicable data privacy laws and regulations and cyber-security standards and controls where the Company is subject to the same depending on the nature of transactions and customers and the type of project, the Company's ability to successfully conduct its business and achieve its business objectives may be impaired.

The Company's inability to comply with applicable laws and regulations, or protect such data, may result in enforcement actions against the Company, including the imposition of fines and penalties by regulators at their discretion, or claims for damages by customers and other affected individuals, and damage to the Company's reputation. This would affect the Company's business, results of operations, financial position, and future prospects. Compliance costs and other requirements under laws, regulations, and standards may restrict the use and approval of the Company's services and reduce the overall demand for the same, lead to the imposition of fines or penalties, or result in significant liability for non-compliance, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-4 Risks related to compliance with Saudization requirements

Compliance with Saudization requirements is required by law in the Kingdom, whereby all companies operating in the Kingdom, including the Company, must employ and maintain a certain percentage of Saudi employees. This percentage varies based on the activity of each entity as set out under the Nitaqat program. The Ministry of Human Resources and Social Development (MHRSD) approved an amendment to the Nitaqat program called Nitaqat Mawzon (Balanced Nitaqat) in order to improve market performance and develop and eliminate non-productive Saudization. It was supposed to come into effect on 12/03/1438H (corresponding to 11/12/2016G). However, in response to private sector demands for additional time to achieve Saudization rates, the MHRSD postponed implementation of such program until further notice and, as at the date of this Prospectus, no new implementation date has been set. Under the Nitaqat Mawzon program, points would be calculated based on five factors, namely: (i) Saudization rate; (ii) average wage for Saudi employees; (iii) percentage of female Saudization; (iv) job sustainability for Saudi employees; and (v) percentage of Saudi employees with high wages. As at the date of this Prospectus, the existing framework under Nitaqat remains in place, and entities continue to be ranked on the basis of a system of rolling averages that calculates average weekly "**Saudization**" over a 26-week period.

As at the date of this Prospectus, the Company and Emdad Al Khebrat are currently in compliance with Saudization requirements. They were granted a "**platinum**" rating according to the Nitaqat program (for more information about the Company's Saudization percentage, please see Section 4-10-4 "**Saudization Requirements and the Nitaqat Program**" of this Prospectus). However, the Company and its material subsidiaries may not be able to continue to comply with Saudization and Nitaqat requirements. It should be noted that the Saudization certificate and the social insurance certificate of Tabadul have expired and have not been renewed as at the date of this Prospectus. In the event that the Company and its material subsidiaries do not comply with Saudization and Nitaqat requirements, the Company and its material subsidiaries will face penalties imposed by government entities, such as the suspension of work visa requests, suspension of requests for transfer of sponsorship for non-Saudi employees, and exclusion from government tenders and government loans. The Company and its material subsidiaries may not be able to recruit Saudi employees under favourable conditions, if at all, or maintain its current Saudi employees, which in turn would affect its ability to meet the required Saudization percentage. There may be a significant increase in costs of salaries in the event that the Company and its material subsidiaries hire a larger number of Saudi employees. The occurrence of any of the foregoing would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

In addition to the foregoing, the Kingdom has implemented a number of reforms aimed at increasing Saudi employees' participation in the labour market, including imposing fees on non-Saudi employees employed at Saudi institutions as well as fees on residency permits for family members of non-Saudi employees. The non-Saudi employee fee came into effect on 14/04/1439H (corresponding to 01/01/2018G) while the residency permit fees came into effect on 07/10/1438H (corresponding to 01/07/2017G), noting that such fees increased gradually to SAR 9,600 annually per employee in 2020G. As at 31 December 2020G, Saudi employees constituted 74%, 95%, and 92% of the total employees of the Company, Tabadul, and Emdad Al Khebrat, respectively. In addition, an increase in fees payable by non-Saudi employees for their family members resulted in higher living costs, which may affect the attractiveness of the Kingdom for such employees who may seek to relocate to other countries with lower living costs. Consequently, high government fees and difficulty retaining non-Saudi employees would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-5 Risks related to the Kingdom and the global economy

The Company's operations and customer base are located in the Kingdom and, therefore, its performance, results of operations, and growth prospects are affected by the general economic condition in the Kingdom and global economic conditions, which in turn affect the Kingdom's economy. Any economic downturn in the Kingdom or in the oil and gas industry may adversely affect the Company, as customers (particularly governmental and semi-governmental customers) may reduce the Company's services or defer projects for which they utilize the Company's services or products, which would adversely affect demand for the Company's services or products. This, in turn, would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, the Kingdom's economy is highly dependent on oil-based revenues, which play a significant role in the Kingdom's economic plan and GDP. Any decrease in oil prices will result in an economic slowdown and/or slowdown in the government's spending plans, which would affect all segments of the Kingdom's economy and would subsequently have an adverse effect on the Company's business, results of operations, financial position, and future prospects. It is worth noting that the economy of the Kingdom, as with the economies of many other countries, is currently experiencing significant disruption as a result of the outbreak of the novel coronavirus (COVID-19) (for more information about the risks related to COVID-19, please see Section 2-2-7 "**Risks related to the outbreak of COVID-**19 **or any other infectious disease**" of this Prospectus). These disruptions include the sharp decline in oil prices during 2020G. There can be no assurance that economic conditions in the Kingdom will not worsen in the future as a result of a decrease in oil prices or otherwise, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. For example, the Wasl and Umrah products entirely depend on the transportation and Hajj sectors, which were greatly affected during the financial year 2020G due to the outbreak of COVID-19, which led to a decline in the Company's revenues from these products in 2020G. The Company's revenues from Wasl and Umrah decreased by 58.1% and 78%, respectively.

2-2-6 Risks related to political instability and security concerns in the Middle East region

The Company's primary operations and customer base are located in the Kingdom. The Kingdom and the wider Middle East region are subject to a number of geopolitical and security risks. Any geopolitical events or any developments in the geopolitical situation in the Kingdom may contribute to instability in the Middle East and surrounding regions (that may or may not involve the Kingdom). Therefore, investments in the Middle East are characterized by a significant degree of uncertainty. Any unexpected changes in the political, social, economic, or other conditions in countries within the Middle East region or any future terrorist attacks or sabotage acts against the Kingdom could have a material adverse effect on the markets in which the Company operates, its ability to retain and attract customers in such regions, and investments that the Company has made or may make in the future, which in turn would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-7 Risks related to the outbreak of the novel Corona Virus (COVID-19) or any other infectious disease

In March 2020G, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of COVID-19, caused by a novel strain of coronavirus, SARS-CoV-2. The COVID-19 outbreak and certain preventative actions that governments, businesses, and individuals have taken in respect of COVID-19 have resulted in global business disruptions. The COVID-19 pandemic has adversely affected global economies, capital markets, global demand for oil and oil prices, and the overall environment in which the Company does business, and the extent to which it may impact the Company's future results of operations and overall financial performance remains uncertain. It is worth noting that some of the Company's products (such as Wasl and Umrah) were significantly affected during the financial year ended 31 December 2020G, due to the COVID-19 pandemic and its effect on the transportation and Umrah sectors in the Kingdom. As a result, the Company's revenues from Wasl and Umrah decreased by -58.1% and -78.0% respectively during that financial year.

The Kingdom, as is the case with other countries, adopted strict precautionary measures and limits on travel and public transport, requirements for people to remain at home and practice social distancing, and prolonged closures of workplaces and economic activities, which have severely disrupted the Kingdom's economy. There is no assurance as to how long and the manner in which any preventive measures will remain in place, including any additional application of such measures, the introduction of further measures, and the extent of any such measures. Any of the foregoing may result in a prolonged or further decline in oil prices, or a prolonged adverse effect on the Kingdom's economy, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, any outbreak of COVID-19 or any other infectious disease in the Company's facilities may result in closure of such facilities for certain periods of time or the implementation of certain precautionary measures aimed at limiting physical attendance. The closure of the Company's facilities may result in the disruption of the Company's business or additional costs to comply with any precautionary measures, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-8 Risks related to foreign exchange rates

Some of the Company's transactions are denominated in currencies other than the Saudi riyal, particularly the US dollar. As part of the Kingdom's policy, the Saudi riyal, as at the date of this Prospectus, is pegged to the US dollar at an exchange rate of SAR 3.75 per US dollar. However, there is no guarantee that the exchange rate of the Saudi riyal against the US dollar will be stable. These fluctuations in the value of the Saudi riyal against foreign currencies (including the US dollar) used by the Company may result in increased expenses, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-9 Risks related to tax and Zakat

Since its inception, the Group has not been subject to Zakat as it is wholly owned indirectly by the Government of the Kingdom. Accordingly, the Group did not make a provision for Zakat in the consolidated financial statements for the financial year ended 31 December 2019G and prior years. However, the Group committed to submit all its Zakat returns for the previous financial years to the Zakat, Tax and Customs Authority (ZATCA) for informational purposes only.

As at 1 January 2020G, the Company and its subsidiaries are subject to Zakat under Royal Decree No. 35657 dated 29/06/1442H (corresponding to 11/02/2021G) regarding the mechanism of collecting Zakat and taxes from companies wholly owned by the Public Investment Fund, directly or indirectly. Accordingly, the Group submitted its Zakat and tax returns on a consolidated basis for 2020G. The Company obtained the final tax assessment for 2020G and a Zakat certificate valid until 29/09/1443H (corresponding to 30/04/2022G). However, the Company has not obtained the final Zakat assessment for 2020G as at the date of the Prospectus (for more information, see Section 12-12 "**Zakat Status of the Company**" of this Prospectus).

The Group will have to submit Zakat returns to ZATCA and pay the amounts due on an annual basis. ZATCA calculates Zakat based on the applicable practice as at the date of this Prospectus. There is a risk that if there is a material shift in ZATCA's policy in this regard, the Group could become subject to additional Zakat payments, which could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, the Kingdom issued the Value Added Tax (VAT) Law, which became effective on 14/04/1439H (corresponding to 01/01/2018G). This law imposes a VAT of 5% on a number of products and services, including the Company's products. On 17/09/1441H (corresponding to 10/05/2020G), and in response to the economic impact of the COVID-19 pandemic, the Kingdom announced the increase of VAT to 15%, which was effective on 10/11/1441H (corresponding to 01/07/2020G). While the increase in VAT is new and its impact is not yet determined, VAT, by its nature, is borne by the end consumer and, therefore, the Company expects an increase in the selling price of its products. Such increase or any future increase may affect customer spending and competition in the market, which would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, the implementation of VAT is relatively new, and the Company may commit errors when implementing the regulatory requirements, which may result in penalties imposed by ZATCA in accordance with the VAT Law, which would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-10 Risks related to floods, earthquakes, and other natural disasters or disruptive acts

The occurrence of natural disasters or disruptive acts that are beyond the Company's control may adversely affect the Company's facilities and/or employees. Any damages to the Company's facilities as a result of floods, earthquakes, storms, or other natural disasters, or as a result of disruptive acts such as terrorist attacks or acts of sabotage, would result in significant costs and/or the suspension of the Company's operations, which would result in an increase in production costs and a decrease in revenues. The occurrence of any of these events would have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-11 Risks related to competition

In the event that the Company has a dominant position in the market or is classified as a dominant company by the General Authority for Competition, the Company's operations will be subject to the conditions and controls of the Competition Law, which is intended to protect fair competition in Saudi markets and encourage and strengthen market rules and freedom and transparency of prices. In the event that the Company violates the provisions of the Competition Law and a judgement is issued against it for such violation, the Company may be subject to a fine of more than ten million Saudi Riyals (SAR 10,000,000), or any higher fine which may be imposed by the General Authority for Competition in the future. In addition, the General Authority for Competition has the right to request that the Company's activities be suspended temporarily or permanently (partially or completely) if the Company repeats the violation. Moreover, instituting proceedings may be time-consuming and costly to the Company. Thus, each of the above factors will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2-2-12 Risks related to increased costs

The Company's performance depends on its ability to maintain profitability by setting and providing reasonable prices for its products and services and its capacity to sustain any higher costs of products or services provided to its customers by increasing the prices of those products or services. The Company cannot fully control the prices of its products or services in line with any increase in costs, since these prices depend on the supply and demand in the market. Moreover, the Company cannot fully control its costs, as it is subject to a number of factors that may affect these costs, including technical factors, the regulatory and economic environment, the Company's strategy, and the distribution of its sales between different products and services. Consequently, if costs of operation, production, or services provided increase, with the Company being unable to raise the prices of its products and services in line with the increase in costs, the Company's profitability will be significantly affected, which will have a material adverse impact on the Company's business, results of operations, financial position, and future prospects.

2-3 Risks Related to the Offer Shares

2-3-1 Risks related to effective control post-Offering by the Public Investment Fund

After the completion of the Offering, the Public Investment Fund will hold 67% of the Company's share capital. As a result, the Public Investment Fund will be able to control matters requiring shareholder approval and will be able to significantly influence the Company's business, including important matters such as the election of Directors, material corporate transactions, dividend distributions, and capital adjustments. If the Public Investment Fund's interests conflict with those of the Company's minority shareholders (including the Subscribers), the minority shareholders will be disadvantaged, and the Substantial Shareholder may otherwise exercise its control over the Company in a manner that would have an adverse effect on the Company. This, in turn, would have an adverse effect on the Subscribers' anticipated returns and/or result in the loss of all or a portion of their investment in the Company.

2-3-2 Risks related to the absence of a prior market for the shares

There has been no public market for the Company's shares. Therefore, there is currently no public market for the shares, and there may not be an active and sustainable market for the shares following the Offering. This market, if any, may not continue to exist. The absence or discontinuation of an active market with high liquidity will have an adverse effect on the trading price of the shares, or may lead to Subscribers losing all or a portion of their investments in the Company, which would affect the expected returns of the Subscribers.

The Offer Price has been determined based upon a variety of factors that have impacted, and may in the future impact, the Company and the value of the shares. Various factors, including the Company's financial results and future business prospects, general conditions in the industry in which the Company operates and the markets in which it competes, economic factors, the regulatory environment, and other factors that are beyond the Company's control, may lead to the market price of the shares being significantly lower than the Offer Price.

2-3-3 Risks related to fluctuations in the market price of the shares

The Offer Price may not be indicative of the price at which the shares will be traded following completion of the Offering, and Subscribers may not be able to resell the Offer Shares at or above the Offer Price or at all.

The trading price of the shares may be volatile and may fluctuate significantly in response to a variety of factors, many of which are beyond the Company's control, including:

- negative fluctuations in the Company's operational performance and improvement in the performance of its competitors.
- actual or anticipated fluctuations in the Company's quarterly or annual results of operations.
- downgrades or changes in research coverage by securities research analysts with respect to the Company, its competitors, or the industry in which the Company operates.
- the public's reaction to the Company's press releases and other public announcements.
- failure by the Company or its competitors to meet analysts' projections.
- hiring and resignation of key personnel.
- changes in the business strategy of the Company.
- changes in the regulatory environment.
- changes in the applicable accounting rules and policies;
- political or military developments or terrorist attacks in the Middle East or elsewhere.
- political, economic, or other developments in or affecting the Kingdom.
- the release or expiry of the Lock-Up Period or other transfer restrictions on the shares.
- natural and other disasters.
- changes in general market conditions and economic conditions.

Any of these factors may result in large and sudden changes in the trading volume and market price of the shares, which, in turn, may have an adverse effect on Subscribers' anticipated returns and/or result in the loss of all or portion of their investment in the Company.

2-3-4 Risks related to the Company's ability to pay dividends

The Company may not be able to pay dividends, the Board may not recommend, and the Shareholders may not approve the payment of dividends for any reason. The future distribution of dividends will depend on several factors, including, among other things, future profits, financial position, cash flow, working capital requirements, capital expenditures, and distributable reserves of the Company (for more information regarding the Company's dividend distribution policy, please see Section 7 "**Dividend Distribution Policy**" of this Prospectus).

In addition, the Company may be subject to the terms of its future financing agreements, which may include restrictions on making any dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If the Company does not pay dividends on the shares, Shareholders will not receive any return on the investment in the shares unless they sell the shares at a price higher than the Offer Price. There is no assurance that the Company will be able to distribute dividends to the Shareholders, or that dividend distribution will be recommended by the Board or approved by the Shareholders, which may have an adverse effect on Investors' anticipated returns on the investment in the Offer Shares.

2-3-5 Risks related to selling a large number of shares on the Exchange

Sale of a large number of the shares on the market after the completion of the Offering, or the perception that such sale will occur, may adversely affect the market price of the shares. After the successful completion of the Offering, the Public Investment Fund will be subject to a lock-up period of six (6) months following the listing of the Company's shares, during which it may not dispose of any shares it owns. The sale of a substantial number of shares by the Public Investment Fund following the end of the Lock-Up Period, or the perception that such sale may occur, would have an adverse effect on the market for the shares and may result in a lower market price.

Furthermore, if the Company decides to raise additional capital by issuing new shares, the newly issued shares may adversely affect the price of the shares on the market and dilute the Shareholders' ownership percentage in the Company if they do not subscribe to the new shares at that time. The occurrence of any of the foregoing factors would have an adverse effect on Investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

2-3-6 Risks related to research published about the Company

The trading price and volume of the shares depend in part on the research that securities or industry analysts publish about the Company and its business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover the Company downgrades their recommendations on the shares or publishes inaccurate or unfavourable research about the Company's business, the market price of the shares may decline. In addition, if one or more research analysts ceases coverage of the Company or fails to publish reports on it regularly, it could lose its position and visibility in capital markets, which could cause the market price for the shares to decline significantly. Accordingly, this could have a material adverse effect on the Subscribers' anticipated returns on the investment in the Offer Shares.

2-3-7 Risks related to non-qualified foreign investors not being able to directly hold shares

Under the applicable regulations, non-Qualified Foreign Investors wishing to participate in the Offering must enter into swap arrangements with Capital Market Institutions, pursuant to which they acquire an economic benefit in the Offer Shares. Non-Qualified Foreign Investors are able to trade these interests through Capital Market Institutions who will hold the legal title to the shares. Accordingly, non-Qualified Foreign Investors will not hold legal title to the shares nor will they be able to vote on the shares in which they hold an economic benefit.

2-3-8 Risks related to investment in emerging markets

An investment in the Offer Shares involves risks related to investing in securities in emerging markets, such as the Kingdom, which generally involves a higher degree of risk than investments in issuers' securities in more developed countries. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate and are familiar with the significance of the risks involved in investing in emerging markets. The Saudi economy may be susceptible to future adverse effects similar to those suffered by other emerging market countries. The Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries. The occurrence of any of the foregoing factors would have an adverse effect on Investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

3- Market and Sector Information

3-1 Preface

The information shown below is based on an independent market study conducted by Arthur D. Little Saudi Arabia exclusively for Elm on the [29/1/1442H] of [10/06/2021G]. Elm has commissioned Arthur D. Little Saudi Arabia to undertake necessary research and analysis and develop the market assessment section as part of the IPO prospectus document.

Arthur D. Little is an independent management consulting firm, that provides strategic advisory services and market research. Arthur D. Little was founded in 1886 AD and started its operations in Saudi Arabia in the 1950s (for further information about the market study consultant, please go to www.adlittle.com).

It shall be noted that neither the market study consultant nor any of its affiliates or sister companies, partners, shareholders, members of its board of directors, directors or their relatives, own shares or hold ownership interests in the company or its subsidiaries. The market study consultant has given its written approval on the use of its name, the market information and analysis conducted to the company as shown in this document, and such approval has not been withdrawn to date.

The members of the board of directors observe that the information and data shown in this document and received from other sources, including those provided by the market study consultants, are credible data and information. Neither the company nor the members of the board of directors or its directors or other consultants have checked or verified the accuracy or completion of the information shown in this section, and none of them shall assume any responsibility as to such information. As well, such information shall not constitute the sole basis for taking or refraining to take any investment-related decisions.

Conclusions shown in this document are based on analysis conducted by the market study consultants, based in part upon its analysis of materials and information collected by them from third party research agencies, government agencies, its internal network of experts and publicly available resources.

While the market study consultant has undertaken best efforts to assimilate available market data and represent the impact of the pandemic to the best of its abilities and expertise, the ongoing COVID-19 pandemic is fundamentally unpredictable in its impact on all economic stakeholders. The pandemic has caused structural and far reaching impact on the economy and industrial growth trends worldwide. As a result of the uncertainty associated with the pandemic and its impact going, the actual trends in the market may be at significant variance to indicated forecasts.

In addition, while this document represents the market consultant's current view of the market sizing, growth and dynamics, realization of forecasts is contingent on several additional factors. These include but are not limited to timely and effective implementation of policy initiatives, technological progress and maturity, regulatory changes and developments, and industry trends and movements.

As a result, the use of this report by any third party for whatever purpose should not, and does not, absolve such third party from using their own due diligence and competent business judgement in verifying the report's contents or deriving conclusions from the same.

3-2 Research methodology and approach

All analysis outlined in this section is a product of research conducted during the period March – May 2021 through:

i) Secondary research of publicly available sources such as government entities, academic reports, industry reports from major IT and digital players

ii) Analysis of materials provided by Elm such as financial information for the period 2018-2020, internal strategy documents and company profile, in addition to discussions organized with Elm's management to obtain strategic context

iii) Data from multiple sources as cross-checked and triangulated based on Arthur D Little' to arrive at an accurate consensus.

Key data sources utilized for developing the report include: International Data Corporation (IDC), GlobalData, Gartner, Statista, World Bank, Kingdom of Saudi Arabia's General Authority for Statistics (GASTAT), Kingdom of Saudi Arabia's Ministry of Finance, International Energy Agency, Euromonitor and other publicly available resources.

3-3 Market Overview

3-3-1 Trends in the Digital / ICT (Information and Communication Technology) Sector Globally

Several key technology trends are shaping the IT (Information Technology) and Digital industry globally. These are particularly relevant for large digitalization players and include (but may not be limited to):

- Artificial Intelligence Solutions and Services
- Cloud Computing and Data Centers
- Conversational platforms
- Edge computing
- Augmented / Virtual Reality
- Blockchain Platforms
- Robotics Oriented Solutions
- 3D Printing Platforms
- Cybersecurity

These technologies are likely to see increasing adoption in the KSA (Kingdom of Saudi Arabia) and represent future growth opportunities for digital sector players with capabilities in developing and delivering integrated end-to-end solutions.

3-3-2 MENA (Middle East & North Africa) Macroeconomic Landscape

The MENA region's GDP (Gross Domestic Product) is estimated to be approximately USD 3.6 trillion, at current prices, and is estimated to represent 4.3% of the global GDP (2019). Real GDP growth in the MENA slowed in 2018 to 2.0%, and decelerated again in 2019, with growth of 1.7%. This deceleration is driven, in part, by pressure on crude oil prices worldwide. Real GDP growth has additionally been impacted by the ongoing Coronavirus (COVID-19) pandemic and containment measures taken globally and regionally – resulting in trade, supply chain and other restrictions. Real GDP for the region is estimated to have contracted by 4.2% in 2020 on account of the pandemic.

For a significant number of countries in the MENA region, natural resources (oil and gas) account for a significant proportion of GDP. The region as a whole and in particular the countries KSA, Kuwait, the UAE (United Arab Emirates) andQatar are some of the most important producers of energy in the world.

3-3-3 KSA Macroeconomic Landscape

The KSA is the largest economic contributor in the MENA region, with an estimated nominal GDP of SAR 2,975.5 bn and an estimated population of 34.2 million as of 2019. The discovery of the large oil reserves in the mid-20th century has transformed rapidly KSA's economy and society. The revenues from the oil sector have sustained the country's economic strong growth and standards of living. In 2019, the KSA was the world›s leading oil exporter and it was the third-largest producer. 42% of this GDP is derived from the petroleum sector. The GDP per capita was SAR 86,890 in 2019.

In 2020, due to the COVID-19 pandemic, non-oil revenues were impacted by restrictions imposed on domestic industries and oil-revenues were negatively impacted due to the reduced demand for oil globally. With supply exceeding demand, OPEC (Organization of Petroleum Exporting Countries) and OPEC+ nations have implemented production caps.

As a result of the country's dependence on oil for budgetary funding and supporting local economic activity, the KSA's GDP contracted by 4.1% in 2020, but is forecast to recover and grow by +3.2% in 2021, +3.4% in 2022 and + 3.5% in 2023 according to GASTAT (the General Authority for Statistics – KSA).

Several factors will influence the pace of the recovery and outlook for KSA:

- Global trajectory and success of vaccination programs
- Recovery in crude oil demand and prices
- Clean energy shift

In addition, inflation in the KSA was estimated to be 3.4% in 2020 according to data published by GASTAT. Depressed oil prices' effect on KSA's revenues and expenditures in turn, have had a negative impact on economic activity, reducing the expected level of inflation. However, these effects were offset by the increase in VAT (Value Added Tax) rate – which were increased from 5% to 15% in July 2020. This resulted in an effective increase in the costs of staple goods and services as the pandemic placed increasing pressure on existing global supply chains and logistics.

3-3-4 Trends influencing industry in the KSA

Governmental revenues have been under pressure due to the decline in oil prices. While the VAT increase offsets this impact on government revenues to some extent, fiscal expenditure by the government was increased to support the local economy during the downturn. In addition, continued investments and transformation under the Vision 2030 program targeted at diversification of the economy from the Kingdom's dependence on oil for its economic productivity, also result in fiscal pressure.

In future budgets, plans to rationalize expenditure are likely. In addition, increases in revenues are anticipated as the economic recovery gains momentum, starting in 2021. This is anticipated by governmental stakeholders to lead to a decrease in budget deficit from an estimated -11.6% in 2020 to -0.4% by 2023, with government debt reaching 33.3% of GDP in 2022 before decreasing to 31.7% by 2023 as reported by the Ministry of Finance, KSA.

3-3-5 Transformation and Digitalization in the KSA

The Vision 2030 aims at a large-scale restructuring of the economy of the Kingdom towards more diversified and newer age industry verticals (e.g. entertainment, retail, tourism, and healthcare). The vision, as a part of its economic diversification strategy, also targets a transition towards digitalization and increased emphasis on IT. These factors are expected to support significant growth in the Digitalization and ICT market in the KSA. The National Transformation Program (NTP) and Vision 2030 also create specific opportunities for technology providers to support digital initiatives across the Kingdom.

Although the COVID-19 pandemic has reduced the growth in 2020, the overall economic level is expected to increase spending growth in the longer term with the gradual move towards local development and implementation of more advanced Digital and IT solutions. Investments by the Saudi government to improve the country's digital infrastructure, both physical and virtual, are also part of the Vision 2030 plan. Simultaneously, the private sector in KSA increasingly leveraged external services and infrastructures from cloud and digital service providers to increase the efficiency and effectiveness of their IT following international trends.

Regulatory landscape evolution in the Digital and IT services markets in KSA also represents opportunities. Increasing concerns over privacy and security have led to the introduction of selected regulatory approaches, such as Cloud computing, IoT and Cybersecurity regulatory frameworks, which were implemented in 2018, 2019 and 2020 respectively. Regulations regarding licensing and operational conditions from NDMO (National Data Management Organization), SDAIA (Saudi Data and Artificial Intelligence Authority) will likely influence the competitive dynamics in the market. For players with robust capabilities and trust, this represents an opportunity for potential consolidation and increased differentiation.

In line with global trends in the overall ICT segment, emerging technologies like AI Services and Platforms, Advanced Analytics, IoT (Internet of Things) and other advanced applications are expected to drive emergent use cases and new-age solutions in the KSA as well. Transformational initiatives support these technological developments directly or indirectly as well. Key Policy and Vision implementation factors favoring growth of digitalization and IT market growth in KSA are:

- Digital transformation
- Smart cities
- Cloud strategies
- Industry 4.0
- Blockchain and AI (Artificial Intelligence)
- Cybersecurity

3-3-6 Opportunities in the Digitalization and Technology Market for Elm

The addressable market can be broken down into four broad solution spaces with key segments and subsegments within each – in line with the set of products and services Elm's solution set. These include:

- Technology solutions
- BPO / Operations Management
- Consulting
- Human Capital Services

Digitalization and overall enhancement of the digital ecosystem in the KSA are expected to support growth for Elm's focus segments / businesses. Given the current COVID related disruptions in the overall macroeconomic environment, the market is expected to see stabilization post 2022 once vaccinations and other preventative measures become mainstream globally, and a normalization.

Within the overall addressable solution space for Elm, growth in the Technology and BPO / Operations Management markets are expected to be significant. These align with Product and Digital Delivery Suites, and BPO business units within Elm and have historically contributed to a large proportion of Elm's group revenues. This is indicative of a robust growth opportunity for Elm within its historical areas of strength.

Summary of the market spends are provided in the Table below:

Table (3-1): KSA IT and Digital Market Size (2019-2020) (SAR bn)

	2019	2020
Technology	33.4	33.7
BPO / Operations Management	3.0	2.8
Consulting	3.6	3.4
Human capital services	13.8	15.1
Total Addressable Market	**53.9**	**54.9**

source: Arthur D. Little analysis based on market data by IDC, Gartner, GlobalData, Statista and published news articles

3-3-7 Competitive Landscape

The competitive landscape for Elm is diverse, with a variety of players operating within the business units covered by Elm. However, few players historically have competed with Elm across its entire breadth and depth of offerings.

Compared to other competitors in the market Elm positions itself through its extensive coverage of a variety of industry and use cases. As an example - Elm covers about 13 industry domains as a part of its strategy whereas its competitors largely tend to focus their strategy around more limited number of industry domains. In addition, competitors to Elm tend to concentrate their solutions within a more limited set of solutions within the digitalization space as well.

In addition, some of Elm's solutions span beyond the traditional emphasis areas of digital offerings, positioning it well amongst its competitive cohort. Examples of these include its COVID Vaccination Program support, Mass Testing Project, and other similar BPO / Operations Management offerings that are digitally enabled and enhanced, but with a core value proposition that targets process enhancement and efficiency.

Elm is broadly considered to be a trusted provider to deliver large-scale solutions with a well-known brand within the KSA and is well known for the impact it has on the society through its noted and novel solutions like Ahwal, Hafiz, Eskan, Ejar, Hayaak and Archiving services for Ministry of Justice and Ahwal.

Despite strong positioning enjoyed by Elm within a relatively competitive marketplace, key risk areas from an external market perspective were taken into consideration when growth opportunities for Elm's business. These include:

- Competition risk
- Product and capabilities risk
- Customer risk
- Regulatory risk

Elm is actively studying and implementing mitigation actions to manage the identified risks to further enhance its value proposition and integrate solutions. In some of its key domains such as health, identity management, logistics etc., creating integrated / amalgamated products and services represents a differentiator for the firm.

In addition, diversifying its presence into new domains is also an opportunity for Elm to manage its risks from a product / capability perspective. Expansion into adjacent and synergistic international markets, with existing and new offerings, targeting governments, could represent potential risk mitigations for Elm. The firm has already commenced first measures targeting foreigners through its recently developed Zowar service, enhancing the experience for international travelers to Mecca.

While Elm (and largely competition) focuses largely on the public sector (B2G2C, B2G2B and B2G products and services), opportunities exist for Elm to diversify and target the private sector and SMEs (through B2B and B2C products and services).

Elm's experience and deep-rooted presence across most of the domains positions it well to capture growth opportunities and align with structural shifts in the industry in the Kingdom going forward.

3-4 Macroeconomic, technology and regulatory overview

3-4-1 Economy Overview

a) MENA macroeconomic environment

The MENA region's gross domestic product (GDP) is estimated to be approximately SAR 14.1 trillion (USD 3.6 trillion), at current prices, and represents about 4.3% of the global GDP (2019). Real GDP growth in the Middle East and Africa slowed in 2018 to 2.0%, and it decelerated again in 2019, with growth of 1.7%.

Private consumption in real terms grew by 2.0% in 2018 and 1.5% in 2019. Unemployment in the region had been steadily declining until 2016-17, however it grew to 10.6% in 2018 and then fell to 10.3% in 2019. A significant proportion of the GDP for many countries in the Middle East and Africa region are derived through trade / extraction natural resources.

The region as a whole and, Saudi Arabia, Kuwait, the UAE and Qatar in particular, are some of the most important producers of crude oil and natural gas in the world. The region accounts for approximately 40% of the world's crude oil production and approximately 23% of the world's natural gas production.

Real GDP growth in the market has been impacted by the spread of the Coronavirus (COVID-19) pandemic and measures taken to contain it, as well as a decline in oil prices. Real GDP for the region is estimated to have contracted by as much as 4.2% in 2020, down from low sustained growth of 1.7% reported in 2019. Growth is a key imperative in the region as a result.

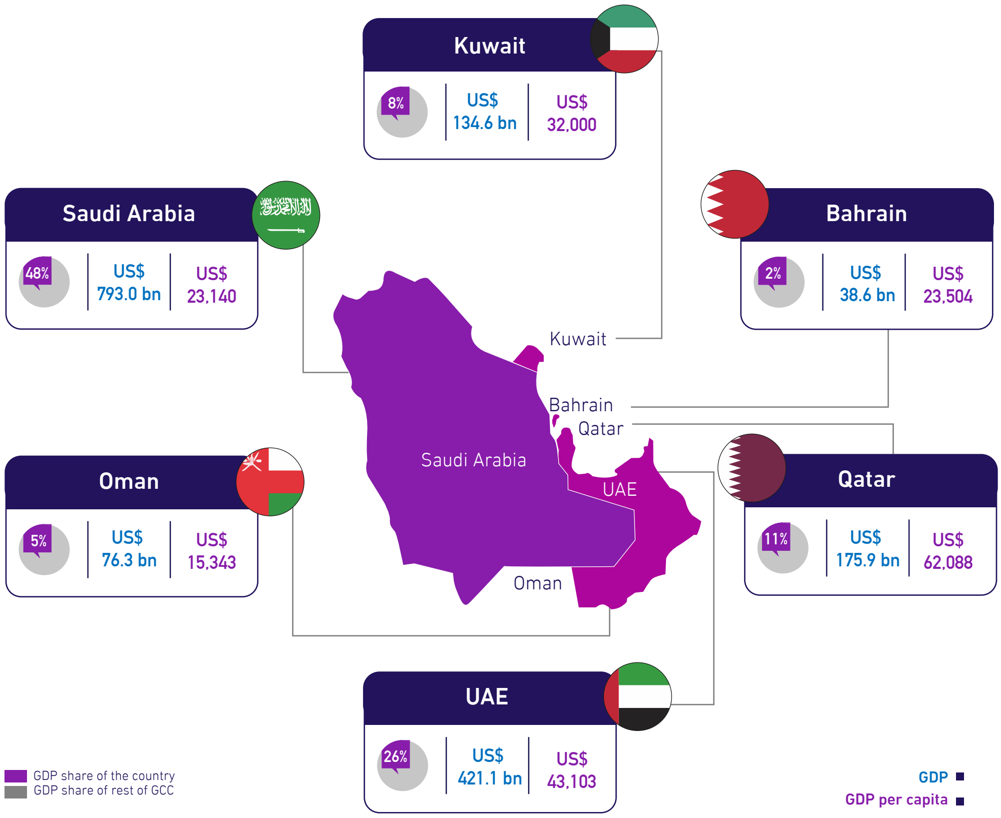
Oil producing countries within the MENA region have long enjoyed petroleum revenues and continue to depend on oil to generate economic growth as well as to finance growth of their social support programs and physical infrastructure. Non-oil-rich MENA countries, however, have greater reliance on agriculture, tourism, and services, and therefore face other challenges to economic growth.

b) KSA macroeconomic environment

Saudi Arabia is the largest economic contributor in the MENA region, with a nominal GDP estimated at SAR 2,974 bn (USD 793.0 bn) and a population of about 34.2 million as of 2019. The KSA is ranked as the 18th largest economy among the G20 leading industrialized nations – the discovery of the large oil reserves in the mid-20th century has transformed rapidly KSA's economy and society. Revenues from the petroleum and energy sector have supported the economic growth in the country and have enabled significant development in the overall standards of living over the past 20-30 years.

In 2019, the KSA was the world›s leading oil exporter and the third-largest producer, with about 42% of the country's GDP being derived from the petroleum sector. The country has an estimated GDP per capita of USD 23,140 (~SAR 86,890) in 2019 – amongst the top 45 economies in the world. Industries based on oil have become well established in the country, including petrochemicals, plastics, and fertilizer manufacture, as well as engineering services related to the oil & gas industry.

Figure (1): GCC key economic comparators



Source: World Bank (2019), Arthur D. Little Analysis

Through the Vision 2030, the government of the KSA aims at diversifying the country's economy and develop areas within the service / tertiary sector such as education, tourism, infrastructure, health, etc. Key goals of the KSA's Vision 2030 strategy include reinforcing non-oil-related economic and investment activities, increasing non-oil international trade and promoting KSA's image as a trade partner and investment destination.

A key pillar of the vision is to develop a thriving economy by creating a business environment that: (i) supports SMEs, innovation and entrepreneurship; (ii) rewards opportunity by exploiting technology and digital solutions; (iii) invests in the future, including telecommunications infrastructure; and (iv) leverages the Kingdom's strategic and geographic position for international collaboration and impact.

In addition, other goals of the program are to increase the share of non-oil exports from 16% of GDP to 50% of GDP by 2030 and the contribution of the private sector should increase from 40 to 65 % of GDP by 2030. The contribution of SMEs to GDP is targeted to grow from 20% in 2019 to 35% by 2030 as reported by the Ministry of Finance, KSA

In 2020, the petroleum sector accounted for ~53% of KSA's budget revenues, with the non-oil sector revenues growing by ~11% in 2020 vis-à-vis 2019 and represented about 47% of the total government revenues. Nonetheless, in 2020, due to the COVID-19 pandemic, non-oil revenues were impacted by restrictions imposed on domestic industries and oil-revenues were hit due to the reduced global oil demand. With oil supply exceeding demand, OPEC+ nations have agreed to cap its production.

KSA's GDP contracted by 4.1% in 2020, but it is expected to recover and grow by +3.2% in 2021, +3.4% in 2022 and + 3.5% in 2023 according to GASTAT.

Several factors will influence the pace of the recovery and future outlook for KSA:

- **Global trajectory and success of vaccination and disease management programs:** The availability and speed of vaccination globally against COVID-19: Many countries have already indicated that large proportions of their populations may not be vaccinated until the second half of 2021
- **Recovery in crude oil demand and prices:** The degree to which oil prices will recover as the global economy ramps up post-pandemic may be limited. Storage facilities full of cheap oil will likely dampen any early uptick in demand. The effectiveness of OPEC+ supply restraints to support prices is uncertain

- **Clean energy shift:** The global transition to clean energy sources is continuing, and potentially accelerating. The shift to electric vehicles and greater energy efficiency globally is a longer-term trend that is speeding up, with green stimulus and policy target announcements in a variety of markets in 2020.

Inflation in the KSA was estimated to be 3.4% in 2020 according to GASTAT. Depressed oil prices' effect on the KSA's revenues and expenditures in turn, have a negative impact on economic activity, reducing the expected level of inflation. However, these effects were offset by the increase of rates of VAT – which were increased from 5% to 15% in July 2020. This resulted in an effective increase in the costs of staple goods and services as the pandemic placed increasing pressure on existing global supply chains and logistics. Details about key national account indicators are provided in Table 2.

Table (3-2): National accounts and oil price indicators

	2015A	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Nominal GDP (SAR bn)	2,453	2,418	2,582	2,949	2,974	2,625	2,866	3,042	3,232
Real GDP (SAR bn)	2,545	2,588	2,568	2,631	2,640	2,531	2,612	2,701	2,795
Real GDP growth rate (%)	N/A	1.7%	-0.8%	2.5%	0.3%	-4.1%	3.2%	3.4%	3.5%
Real GDP per capita (SAR)	78,987	76,083	79,177	88,271	86,892	74,763	N/a	N/a	N/a
Crude Brent oil prices (average oil price USD)	52.32	43.64	54.12	71.34	64.30	41.96	N/a	N/a	N/a

source: Arthur D. Little Analysis based on World Bank, National Statistical Accounts, Ministry of Finance KSA (Budget 2021) and International Monetary Fund

Although the effect of VAT is expected to be event driven, it is estimated that food price increases are more likely to continue and maintain an above-average inflation trend for some time. Nevertheless, with low oil prices continuing, the overall underlying price pressure may remain subdued.

Table (3-3): Consumer price inflation 2015–2023 in KSA (annual % change)

	2015A	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Consumer price inflation	+1.2%	+2.1%	-0.8%	+2.3%	-2.1%	+3.4%	+2.9%	+2.0%	+2.0%

source : GASTAT

As seen in Table 3, government revenues have been decreasing due to the decline in oil prices. While the recently implemented increase in the VAT rates partially offset the impact and supports government revenues, expenditure by the government is expected to increase to support the economic recovery, and continuing investment and transformation under the Vision 2030 program. In future budgets plans to rationalize the currently high expenditure levels are therefore envisaged. In addition, an increase in revenues is anticipated as the recovery gains momentum, starting in 2021. This is expected to lead to a decrease in budget deficit from an estimated -11.6% in 2020 to -0.4% by 2023, with government debt reaching 33.3% of GDP in 2022 and then decreasing to 31.7% as reported by consensus observers and reported in governmental data. Details about fiscal budgets and their trends are provided in Table 4.

Table (3-4): Overview of government budget 2017–2023

	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Revenues (SAR bn)	692	906	927	782	849	864	928
Expenditures (SAR bn)	930	1,079	1,059	1,076	990	955	941
Surplus/deficit (SAR bn)	-238	-174	-133	-294	-141	-91	-13
Budget deficit (% of GDP)	-9.3%	-5.9%	-4.5%	-11.6%	-4.9%	-3.0%	-0.4%
Public debt to GDP (%)	17%	19%	22.8%	33.7%	32.7%	33.3%	31.7%
Government reserves (SAR bn)	579	490	470	294	280	265	265

source : Ministry of Finance, Saudi Arabian Monetary Authority

3-4-2 KSA population overview

KSA's population is forecasted to grow to 34.8 million by the end of 2020 with an annual population growth of about 1.7% compared to 2019. Population and historical growth profile for the KSA is provided in Table 5.

Table (3-5): Overview of population

	2016A	2017A	2018A	2019A	2020E
Total population (million)	31.8	32.6	33.4	34.2	34.8
Annual growth rate (%)	N/A	2.60%	2.46%	2.41%	1.74%

source : GASTAT, UN

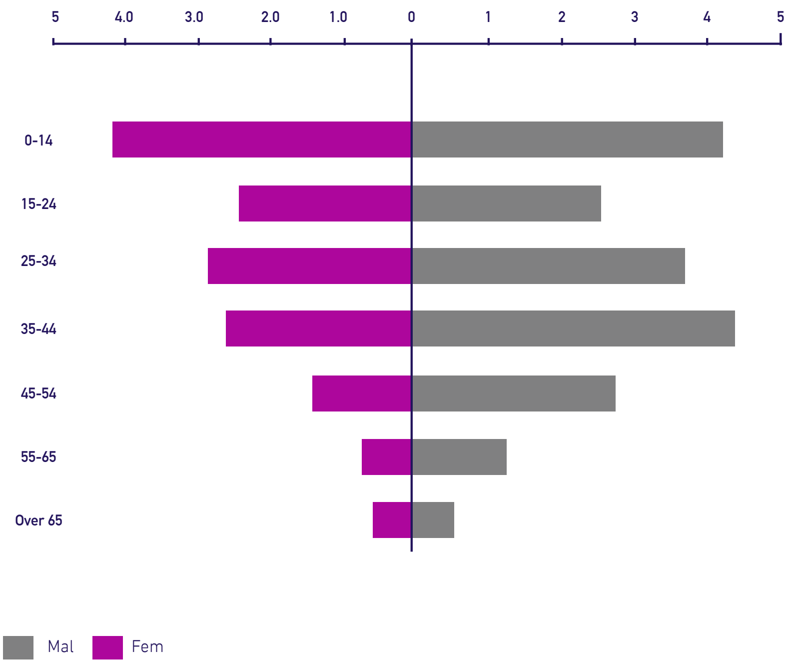
At an overall level, a gender imbalance exists in the demographic mix in the KSA. The key reason for this observation is the presence of male expatriates seeking employment in the KSA (especially in the low to mid end segment); Adjusting for the expatriate status, the gender balance within the Saudi citizen population is largely even and comparable with countries of similar affluence.

Policy emphasis in the KSA is trending towards incentivizing job creation for citizens through enhanced measures aimed at Saudization. These include measures enabled since November 2012, wherein monthly charges are levied for foreign workers at private sector companies with greater deployment of expatriate employees. Fee increases in 2018 and 2020 (to SAR 300–400 (USD 80 – 107) per foreign worker and SAR 700–800 (USD 187–213) respectively). These measures, such as increasing fees imposed on expatriates are resulting in a downward pressure on the overall demographic base in the KSA.

Other initiatives linked to Saudization are job reservations across 12 specific roles in retail and wholesale sectors to ensure that at least 70% of employed staff are Saudi nationals. Saudization initiatives are expected to be further enhanced in the future. According to GASTAT, Saudi unemployment rate decreased to 12.6% in Q4/2020, while Saudi labor force participation rate increased to 51.2% in the same quarter. Unemployment rate decreased to 7.4% in Q4 2020 compared to 8.5% of Q3 and Saudi unemployment rate decreased as well to 12.6% in Q4 compared to Q3 data of about 14.9%.

From an age distribution standpoint, the KSA's population base is skewed towards the younger age cohorts – with the largest segment being the 0–14 year old segment, followed by the working age 25–44 year old groups. The population distribution indicates large millennial and younger age populations. KSA can benefit from a corresponding low dependency ratio between old and young generations, and is likely to continue to do so in the foreseeable future due its overall young population. The population pyramid for the KSA is provided in Figure 4.

Figure (2): Population pyramid by age and gender in 2019 (in millions)



source : GASTAT

a) Technology savvy population

One of the key goals of the KSA Vision 2030 program is aimed at increasing the KSA's standing from a global competitiveness perspective. The aspirations as established in the program are to ensure KSA's positioning within the top 10 countries in the Global Competitiveness Index (GCI) metrics. In order to target such global goals there is a recognition that technology organizations across the spectrum will need to offer highly developed and resilient communications infrastructure, the local ICT industry will need to innovate and develop more valuable products and services and SMEs will need to rapidly embrace digital solutions and services.

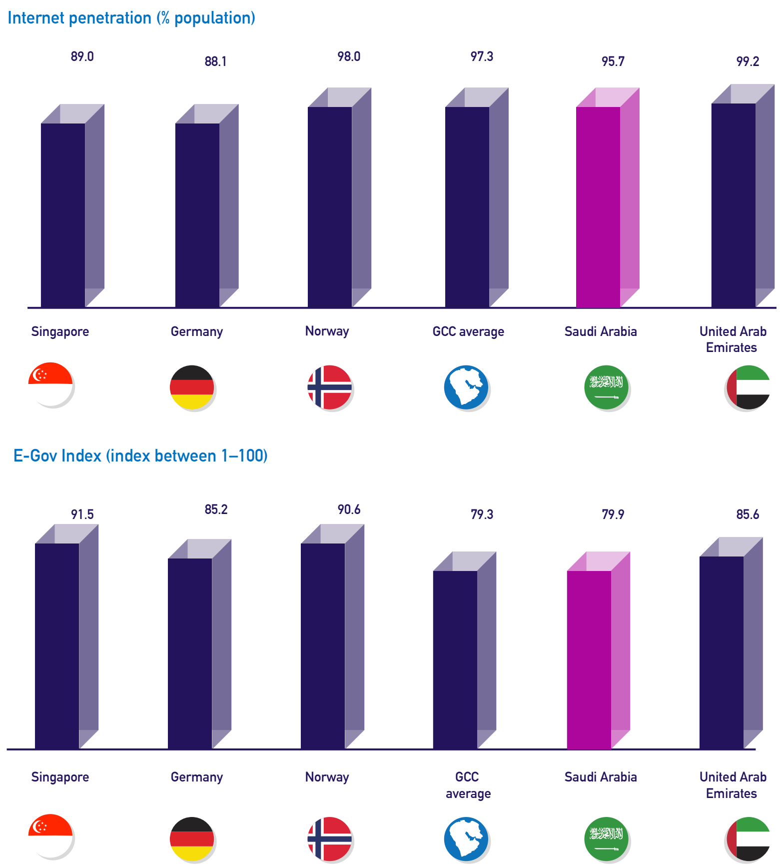
Collaboration areas across the Private and public sectors are also emerging in areas where developing the ICT infrastructure is critical, such as, developing high-speed broadband and connectivity, increasing telecommunications coverage and capacity across the Kingdom especially within and around cities. Specific objectives identified in this focus area is to attain and exceed 90% housing coverage in densely populated cities and 66% in other urban zones.

Strong ICT and digitalization foundations are being created in KSA allowing high 5G readiness, fixed-broadband subscriptions and high smartphone penetration compared to other GCC economies. The large amount of space to cover explains the low 94% of 4G coverage across the country.

The Saudi population's familiarity with digital technology usage is indicated to be high, with over 95% of the population being active internet users and 72% being active social media users. This internet usage penetration is close to ranges observed in other highly developed markets such as Norway, Singapore, and Germany (refer Figure 5). The COVID-19 pandemic has, in addition, had a positive impact on digitalization and e-services usage trends as well due to the use of remote health, learning and working solutions when mandatory lockdowns and restrictions were in effect.

In addition, key E-government performance in the KSA has also improved, with the KSA faring marginally better on e-governance indices (Figure 5) as compared to the regional averages. However, there continue to remain opportunities to enhance digital transformation and digitalization in the KSA – as its current standing still places the country at a slight disadvantage to other marquee regional and global best organizations.

Figure (3): Overview of E-gov. and internet usage



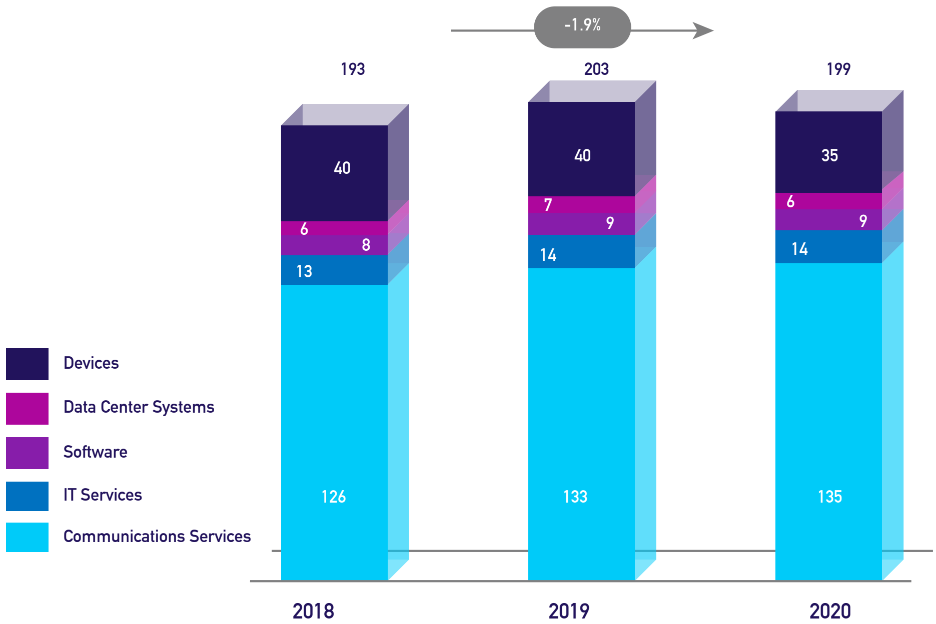
Source: UN E-Government (2020), World Bank (2019), Arthur D. Little Analysis

3-4-3 Technology market overview

a) MENA technology market

The ICT market size in the MENA region is valued at USD 193 billion (SAR 723.35 billion) - in terms of end-user spending for IT products and services. COVID-19 has had an impact on the region's ICT market growth in 2020 causing a decline between 2019 and 2020 (-1.9%) largely due to a significant impact on the devices segment and discretionary budget reductions for corporates as well as governmental bodies. The devices segment decreased by ~12.5% in 2020. IT services, software and the communication services segment kept growing in 2020, while data center systems exhibited minor growth.

Figure (4): Regional End-User Spending on IT Products and Services in Constant U.S. Dollars (Billions of USD) in MENA



source:

b) KSA technology market

The Vision 2030 plan is a key driver of the strong growth in the ICT market in KSA aiming to support the transition to a digital nation and increase spend on IT. Linked to the vision, the KSA government established different initiatives fostering new service verticals (e.g. entertainment, retail, tourism and healthcare) as part of its economic diversification strategy. The National Transformation Program (NTP) and Vision 2030 create opportunities for technology providers to support the digital initiatives.

Although the COVID-19 pandemic has reduced the growth in 2020, the overall economic level is likely to drive an increase in spending growth with the gradual move towards more sophisticated IT services over the long term.

There are technology and usage developments affecting the ICT services market in KSA. These developments are expected to drive the evolution of the technology market in KSA. Recently, investments by the Saudi government improved the country's digital infrastructure, both physical and virtual, as part of its Vision 2030 plan to reform the economy. Simultaneously, the private sector in KSA increasingly leveraged external services and infrastructures from cloud service providers to increase the efficiency and effectiveness of their IT following international trends.

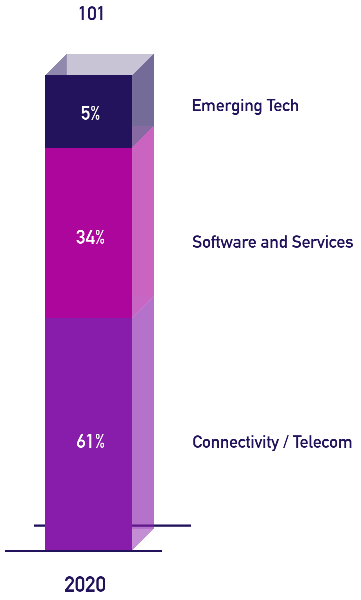
The overall KSA ICT market is estimated to be valued at about SAR 101 billion in 2020, across the entire technology spectrum including Connectivity / Telecommunications, Hardware and Devices, Software and IT solutions as well as emerging technology areas such as IOT, AR / VR (Augmented Reality), Blockchain and other associated.

Figure (5): KSA Technology Market (SAR bn)

Connectivity / Telecom includes: Telecom services, Data and voice, Network Infrastructure, Computing Devices, Hard Infrastructure, Core Network Applications, Network platforms.

Software and Services Includes: Software and Digital products, solutions, applications, Platforms, and Developmental services.

Emerging Tech includes: New-age technologies like AI Software and Platforms, IoT (Internet of Things) Platforms and Devices, RPA (Robotic Process Automation), Blockain technologies and applications.



Source: Arthur D. Little Analysis, Gartner, GlobalData and IDC Market Data; News Articles

3-4-4 Regulatory trends analysis for relevant segments for the Company

IT services and associated markets in KSA have historically been less regulated due to their status as upcoming areas of opportunity vis-à-vis traditional industry sectors. However, increasing concerns over privacy and security have led to the introduction of selected regulatory approaches, such as cloud computing, IoT and Cybersecurity regulatory frameworks, which were implemented in 2018, 2019 and 2020 respectively. New regulations are anticipated by the newly established National Data Management Office, SDAIA with the launch of the interim regulations in early 2021. These regulations have implications for the licensing and operational conditions, and thus influence the competitive dynamics in the market.

a) IoT regulatory framework

In 2019, CITC (Communications and Information Technology Commission) published 2019 the IoT regulatory framework. The providers of IoT services are required to comply with data security and privacy protection requirements. In addition, the regulation mandates that all IoT network components, devices and data are maintained inside the Kingdom.

b) Cybersecurity regulatory framework

In June 2020, the CITC published a comprehensive Cybersecurity Regulatory Framework (‹the CRF›) with the objective of increasing the cybersecurity maturity of the ICT and postal sectors in KSA. The CRF mainly impacts organizations that are licensed or registered by CITC and those subject to it as the regulator of the ICT and postal sector in KSA. The CRF establishes requirements for better management of cybersecurity risks through a consistent approach that is intended to be aligned with international best practices and local cybersecurity regulations. The requirements set out under the CRF must be implemented by service providers in the ICT and postal sectors to fulfil the minimum security requirements. There are also differing levels of obligation depending on whether service providers are classified by the CITC and/or the NCA (National Cybersecurity Authority) as critical national infrastructure.

c) Cloud computing framework

To provide increased regulatory clarity and encourage adoption of cloud computing services CITC released the Cloud computing framework in March 2018. The framework obligations apply to any cloud service provider that owns, operates, or offers access to data centers, or other elements of a cloud system, located in the Kingdom.

In December 2020, the 3rd version was published to better enable cloud service providers by rearranging the cloud service provider's registration levels, aligning with data and cybersecurity requirements, and creating a special track for providers classified as SMEs.

d) Data protection laws and Open Data regulations

Saudi Arabia's National Data Management Office (NDMO), the entity responsible for data governance in the Kingdom, issued in October 2020 the National Data Governance Interim Regulations. The Interim Regulations address open data, data classification, data sharing, freedom of information, and – significantly – personal data protection, in anticipation of legislation in this space.

There are also other sectoral laws that protect personal data and privacy particularly in the context of technology and electronic communications. Industry regulators such as SAMA (Saudi Arabian Monetary Authority) for financial institutions, CITC (for cloud businesses), and others can stipulate regulations for data management for their particular areas of concern.

In addition, and in compliance with Data Protection Laws in the KSA, development of a framework for collection, use and management of open data is an advancement in localized use of collected data by responsible and trusted organizations. Clear rules and obligations for the entire open data lifecycle have been outlined – from open data planning, to performance tracking. These developments ensure the fundamental platforms for open data usage exists and favors use and enhancement of collected data, by responsible and trusted players in the market.

e) Outsourcing laws

In February 2021, Saudi Arabia's Ministry of Human Resources and Social Development restricted outsourcing of customer care services through call centers to foreign countries. This decision aims to create employment opportunities for Saudis.

It had become common for businesses to outsource customer care services using call centers based in foreign countries such as the US, the UK, India, Pakistan, or other neighboring Arab countries. As per the new directives, all services offered remotely including phone calls, emails, online chats, and social media interaction can no longer be outsourced.

f) Legal framework for E-commerce

In addition to other laws influencing the technology sector in the KSA, laws for the E-commerce space have been enacted in October 2019 to help define a clear and transparent framework regulating online transactions. Apart from focusing on the protection of Saudi consumers, the law prioritizes the individual's right to privacy by emphasizing on the need for data protection. Other protections and remedies as per the law (such as for false advertising, consumer grievance redressal etc.) are also supportive of the structured development of the space in line with global trends. The laws, now dedicated and customized for the E-commerce landscape, represents a positive change away from traditional brick-and-mortar driven frameworks.

3-5 IT service market assessment for Elm key markets

3-5-1 Trends in the digitalization and IT market in Middle East and KSA

Several key technology trends are shaping the IT and digital industry globally. In line with global trends in the overall ICT segment, these are expected to drive emergent use cases and new-age solutions in the KSA as well. These are particularly relevant for large digitalization players in the KSA and include the following topics:

- **AI** – IT services providers partner with enterprises and governments to identify use-cases, build business models, manage data and infrastructure in AI and set-up AI labs to develop innovative AI solutions
- **Cloud computing and data centers** – IT service providers develop offerings in the managed services and system integration domain due to the demand for hybrid, multi-cloud, and managed cloud solutions
- **Conversational platforms** – Chatbots or AI-powered conversational platforms are continuously developed in the Middle East and integrated into websites and smart speakers
- **Cybersecurity** – Enterprises are shifting to a "security-as-a-service approach" where a variety of products on multiple devices are being managed from the cloud by also leveraging technologies such as machine learning and AI

In addition, emergent technologies such as Edge computing, Industry 4.0, Augmented / Virtual Reality, Blockchain Platforms, Robotics Oriented Solutions, and 3D Printing Platforms are expected to drive growth in the market in the future.

The overall technological transformation is driven by IoT and AI that are reshaping MENA's economic environment. Several opportunities arise linked to these technologies. These include areas such as Smart Cities, Industry 4.0, and Advanced Data Analytics. Similarly, several key IT and digital market trends in KSA are:

- **Digital transformation** – It is a key priority for public and private organizations in KSA due to Vision 2030 efforts and to keep up with the digitalization in the regional and global economy. The pandemic has been accelerating this process – creating digital workspaces and allowing employees to perform their duties remotely has become essential for the seamless delivery of services. Organizations are increasingly looking for effective technology investments that will drive their transformation initiatives to improve revenues and optimize expenditure. Business resilience, automation, agility, and IT security investments are critical for organizations seeking to ensure business continuity and operational efficiency, especially when facing international competition. About SAR 70 bn of new government initiatives were launched in 2020 to support the private sector, namely SMEs, which added to wider economic stimulus measures.

- **Smart Cities** – This is another trend expected to shape KSA's ICT market. There are several giga-/mega-projects (smart city clusters - Neom, Amaala, The Red Sea Project, Qiddiya) promoted by the Saudi Vision 2030 that have a significant influence on the demand for IT services and infrastructure in the country. Security, surveillance, smart networks, and smart traffic solutions are some of the key IT applications included in these projects.

- **Cloud strategies** – They are implemented by enterprises to execute technology-led transformation projects with limited (IT) investment budgets. There are several areas to exploit in the cloud computing as for instance in banking and retailing, where enterprises look to save money on hardware investment. Investments in cloud solutions and new technologies are coming also from institutions from other sectors such as healthcare where they aim to improve patient care and efficiency. Key drivers for the development of cloud services in Saudi Arabia were the increasing availability of data center space and flexibility in the pricings/packaging offerings. Global cloud service providers/hyperscalers are increasingly looking at KSA and cooperate with local providers to enable offerings compliant with KSA's data sovereignty regulations.

- **Industry** 4.0 – This is a strategic priority for KSA supported by the National Industrial Development and Logistics Program (NIDLP), one of Vision 2030's Vision Realization Programs (VRPs). Initiatives linked to Industry 4.0 cover sectors across education, legal frameworks, and technology and incentives, with two flagship programs at its core: Capacity Building Centers and the National Productivity Program (NPP). There are four categories of underlying technologies driving the Industry 4.0:

    - Cognitive technologies facilitating the acquisition of decision-making knowledge - artificial intelligence (AI), robotics, big data and analytics.

    - Virtual reality (VR), augmented reality (AR) and simulation

    - Connected technologies supporting machine-to-machine (M2M) communication

    - Value-add technologies that integrate different components into one, creating a product worth more than its individual parts - additive manufacturing and blockchain

- **Blockchain and AI** – These emerging technologies are reshaping industries like the banking and financial services segments globally and this trend is expected in KSA as well. FinTech is expected to drive new and innovative business models that are integrated with other verticals and segments in KSA such as the widespread sharing economy model. Recent studies by Fintech Saudi show that the number of operating fintech startups has tripled in a year from 20 in 2019 to 60 in 2020. Payments account for two-thirds of the market and almost 98% of the userbase. The Council of Economic and Development Affairs launched the Financial Sector Development Program to open the financial services sector to emerging players and to spur innovation and growth. It also promotes innovation by implementing the Integrated Digital Payment Strategy to move toward a cashless society, through digitizing KYC and end-to-end digital processing at KSA banks, as well as through the development of the national online factoring platform to enhance cash management for SMEs. All these will need to be supported by stable online and cloud-based services and a need for infrastructure and services to assure secure and compliant operation of these services.

- **Cybersecurity** – Development of security solutions will be key as cyber-threats are evolving and the increasing adoption of cloud services from international service providers adds layers of complexity. Because of this, many enterprises turn to professional vendors to provide fully outsourced managed security solutions. In addition, due to COVID-19 pandemic, several enterprises in KSA were required to streamline their investment programs to comply with investors' increasing scrutiny on returns. This leads that these companies are expected outsource non-core activities (e.g. IT services for non-IT companies to external providers) to focus the investments strictly to their core business.

3-5-2 Market size estimation for Elm's key markets and future growth drivers

a) Market Segments and Subsegments

Four key segments represent Elm's overall addressable market within the KSA. Within each market segment, sub-segments have been evaluated from a market projections standpoint. These are provided and are as listed below:

- **Technology:** Segment covers end-user spending on development and/or deployment of the spectrum of ICT and Digital applications across industry verticals as may be enabled on a project or product basis. This includes the following sub-segments:
  - Data & AI
  - Software Engineering
  - Platform and Ecosystem
  - Delivery Excellence
  - Business Applications
  - Basic Facilities
- **Business Process Outsourcing / Operations Management:** Covers provision of process outsourcing services (third party deployment of services) including enhancements through digitalization / cloud-based activities. The space relevant for Elm also includes specialized outsourcing services (indicated below):
  - Business Process as a Service (BPaaS)
  - Traditional BPO
  - Specialized outsourced services
- **Consulting / Advisory:** Covering the following sub-segments within Digital / IT Advisory
  - IT consulting
  - Business Consulting including business process management and strategy implementation
- **Human Capital Services:** Covering the following subsegments as relevant within Elm's service set:
  - IT Training & Education
  - Soft Skills Training
  - Recruitment Services

b) Market Sizing

In light of Elm's business, the identified total addressable market was estimated to be SAR 53.9 billion in 2019 and SAR 54.9 billion in 2020 (Table 6).

Table (3-6): KSA IT and Digital Market Size (2019-2020) (SAR billion)

	2019	2020
Technology	33.4	33.7
BPO / Operations Management	3.0	2.8
Consulting	3.6	3.4
Human capital services	13.8	15.1
Total Addressable Market	**53.9**	**54.9**

Source: Arthur D. Little Analysis

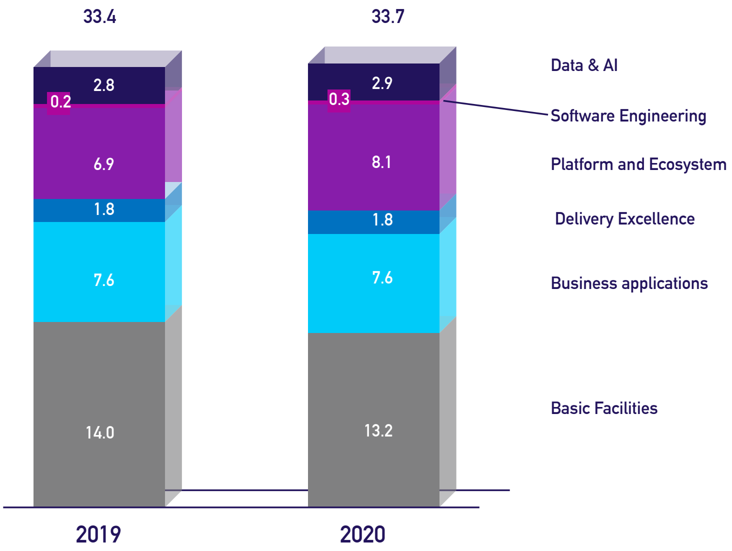
c) Market Segment: Technology solutions

Three business within Elm focus on development of technology solutions on a product / projects across a variety of use cases and service offerings. These include Elm's Products Suite and Digital Delivery Suite businesses and its subsidiary – Tabadul – which focuses on specialized applications in Logistics, Trade and Trade Finance.

The Technology market growth is expected to be driven by the Platform and Ecosystem subsegment. Emerging technologies like Blockchain, Robotic Process Automation, Public Cloud, AR/VR, Workplace Collaboration applications, 3D Printing Platforms and Solutions, Internet of Things (IoT) applications and AI are also included in this segment and are anticipated to be key growth drivers going forward.

Addressable market size estimates within the Technology Sector are provided in Figure 8.

Figure (6): Total Addressable Market Size – Technology Market for Elm (2019-2020) (SAR bn)



source:

Other sub-segment level trends are as follows:

- **Platforms and Ecosystem Applications:** This segment comprises public and private cloud services and platform applications; With emerging and increasing focus on cloud services, and emerging concerns on security and localization of cloud data, the segment represents a significant market opportunity for large scale players in the KSA ecosystem like Elm
- **Data and AI oriented products and services:** This segment is expected to grow rapidly given advances and a global shift towards Analytics, Data Management and AI Based Applications.
- **Other segments:** Business Applications, Delivery Excellence and Core Software Development solutions also represent significant opportunity areas.

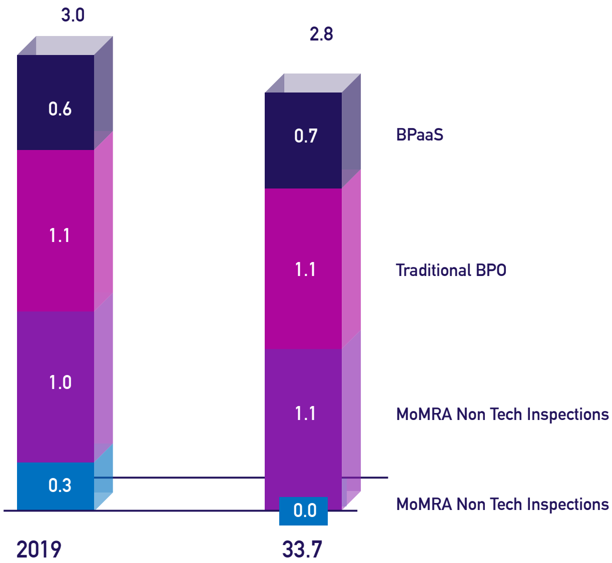
The segment accounts for approximately 80% of Elm's group revenues in 2020 and remains a key growth opportunity for Elm given its implied market share of ~ 5-6% in this segment.

d) Market Segment: Business Process Outsourcing / Operations Management

Elm's BPO business unit largely targets enhancement of business operations through digitalization and use of digital tools, in addition to optimizing governmental processes such as inspections, tracking of individuals and other associated services – which are categorized as "Specialized Outsourcing Services". In addition, two other segments within this market are relevant for Elm: Business Process as a Service (BPaaS) and Traditional Process Outsourcing (which Elm provides through multiple products / services).

Estimates of the size of the BPO / Operations Management segment and sub-segments within this space are provided in Figure 9.

Figure (7): KSA BPO / Operations Management Market Size Relevant for Elm (2019-2020) (SAR bn)



source: Arthur D. Little analysis based on market data by IDC, Gartner, GlobalData, Statista and published news articles

The BPO / Operations Management market relevant to Elm was estimated to be valued at SAR 3.0 bn in 2019. The segment, accounted for approximately 7-8% of Elm's group revenues in 2020 and remains a growth opportunity for Elm given its implied market share of ~4-5% in the year.

Outsourcing of key governmental functions is expected to see growth – especially where private / independent agencies like Elm or its competitors can provide enhanced efficiencies and better outcomes. These outsourcing activities are expected to include a variety of individual services requiring specialized (but not necessarily technical expertise) such as municipal, facility, industrial, health sector inspections, testing, audit and/or certification services. Elm presently provides outsourced municipal inspections services – the total addressable market for which is included in the current market size in Figure 9.

Beyond the ministerial outsourcing opportunities targeted by Elm at present, market opportunities exist in non-technical inspections in other ministries as well. This market is estimated to be sized at about SAR 1 bn in 2020, with growth driven by efficiency and compliance initiatives across ministries. If Elm is able to extend its portfolio of non-technical inspections to cover other ministries beyond its current focus, the firm could potentially target this market as a near core offering.

In addition, the Technical Inspection, Testing and Certification market (excluding non-technical inspections) is estimated to be about SAR 4.8 bn in 2020. These are adjacent opportunities for Elm to expand its portfolio, augment capabilities required to deliver these services and potentially target the segment.

A number of tracking and monitoring activities such as for tourism, hajj and umrah, and similar activities also represent outsourcing opportunities – some of which are being explored by Elm as a part of its growth aspirations in the BPO / Operations Management Business. Hajj and Umrah is a priority domain for Elm – consequently, the market size for tracking and facilitation of specific Hajj passengers (a segment Elm is directly targeting) has also been included in the "Specialized Outsourced Services" market.

Elm's immediate focus area within the segment includes spends on digitally enabled visitor management services for Hajj. This market is estimated to be valued at about SAR 300 mn in 2019. With Vision 2030 targets for Hajj being stated to be 6.7 mn pilgrims (from ~2.5 mn in 2019), the longer term growth opportunity in this space is significant.

Effective management of the Hajj and Umrah pilgrims is a high priority for the government, and digitalization interventions to support this space is critical. As a result, in addition to visitor management for Hajj, Umrah is another area which is of significant opportunity for Elm. Directional estimates of similar services in an Umrah context indicate an additional market opportunity of about SAR 800 mn (2019).

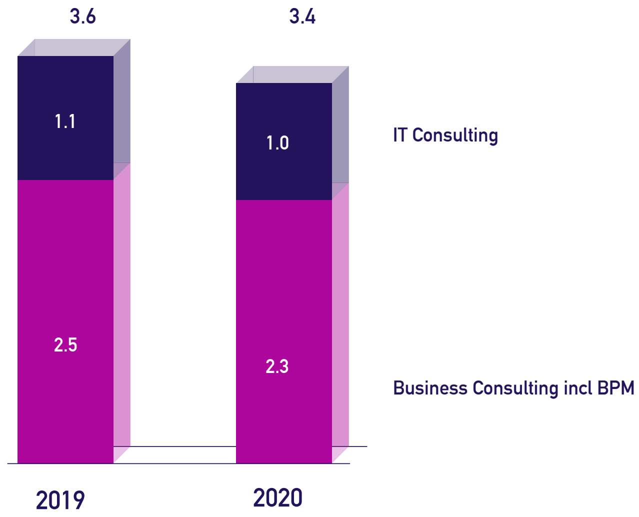
Elm also targets outsourcing of one-off services which arise on account of unpredictable events / incidents (such as the COVID pandemic which necessitated mass testing, tracking and tracing of patients, vaccination etc.). These also represent opportunistic growth areas for Elm. However, by their very nature, these opportunities may not be immediately quantifiable or reasonably predictable.

e) Market Segment: Consulting

Professional advisory services (Digital/IT and Business Consulting services) are included within this segment. These correspond to the "Professional Services" business unit operated by Elm.

Both IT Consulting and Business Consulting segments declined in 2020, largely because of fiscal restraint measures exercised by public and private sector clients on account of COVID-19.

Figure (8): KSA Consulting Market Size relevant for Elm (2019-2020) (SAR bn)



Source: Arthur D. Little analysis based on market data by IDC, GlobalData, Statista and published news articles

IT consulting as a sub-segment is expected to grow, driven by increasing efforts towards digitalization and information technology adoption and resumption of private and public expenditure on digital services after resolution of the COVID-19 pandemic.

This market contributed to about 5% of Elm's business in 2020, with the firm having an implied market share of about 2-3%.

f) Market Segment: Human Capital Development / Deployment

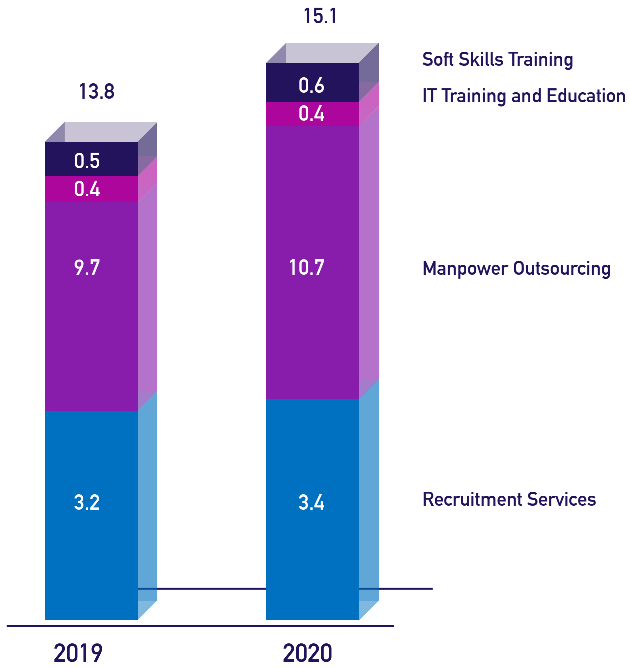
Elm's Emdad business currently targets large scale specialized and unspecialized manpower provision services and caters to governmental agencies in the KSA. Emdad also provides skilled manpower on a contract basis, to support its clients in executing large scale projects.

In addition to Emdad, Elm also supports the overall Nationalization Agenda in the KSA and provides services to upskill Saudis and supports their deployment to enhance job creation opportunities for citizens.

Therefore, within the overall Manpower Development and Recruitment market, the relevant segments for Elm include IT Training and Education, Soft Skills Training for Upskilling locals, Manpower Contracting and Recruitment services.

The Human Capital Services market relevant to Elm, and key sub-segments within, are indicated in Figure 11.

Figure (9): KSA Human Capital Services Market Size relevant for Elm (2019-2020) (SAR bn)



Source: Arthur D. Little Analysis conducted on information provided on competitor websites and subject matter expert interviews

Growth in the Soft Skills Training sub-segment is expected driven by the local Saudi workforce demand requirements likely emerging as a part of the Vision 2030 program goals and a focus on skill development for nationals.

IT training and education segment is also expected to be driven by KSA's ambitious ICT sector capability development plans as outlined in the MCIT's overall digitalization capability development strategy in the KSA.

In addition to the above, the Manpower outsourcing sub-segment – largely targeting temporary manpower deployments by the government and governmental bodies has already seen significant momentum in the past few years as Vision 2030 and VRO programs have seen traction. Policy emphasis on staffing governmental functions and transformational activities are expected to drive deployment of contractual manpower at higher scale in the future. In addition, the private sector in the KSA has significant dependencies on contractually deployed manpower and labor. The market, therefore, is estimated to be about SAR 10.7 bn (2020).

In addition, providing recruitment facilitation services are also a similar adjacency area that represents growth opportunities for Elm. This represents an additional market sized at about SAR 3.4 bn in 2020.

This segment, having an implied market share of about 1-2%.

3-6 Review of Elm's market positioning

3-6-1 Competitive landscape

The competitive landscape within Elm's business lines is diverse and fragmented with a variety of players operating and competing with Elm across its different business units. However, few players compete with Elm across the entire spectrum of Elm's offerings.

At a Business Unit level, Elm's Digital Delivery Suites and Professional Services business units compete with a large set of local and multinational players. Whereas, in the Nationalization and Upskilling area, Business Process Outsourcing and Manpower services, the competition is characterized by fewer but more specialized players competing with a local / regional footprint.

Key competitors for Elm include:

- **Advanced Electronics Company (AEC):** AEC was established in 1988 under specific directives of the government of Saudi Arabia. Its vision is to be recognized as the leading technology solutions provider in the region. AEC's primary focus centers on the military and defense sectors within the KSA where it has developed a strong position leveraging its relationship with the Ministry of Defense. This emphasis was strengthened further through its recent acquisition by Saudi Arabian Military Industries (SAMI), as a part of the government's emphasis to redirect Saudi Arabia's defense spending towards benefitting the local economy. The company provides services across three broad areas: military systems, communications and IT systems, and industrial systems. Offerings competitively relevant for Elm's business include its Digital solutions, Managed Services and Manpower Outsourcing, and E-health solutions.

- **Alkhaleej Training and Education:** Established in 1993 and listed on the Saudi Stock Exchange Market Tadawul since 2006, it specializes in providing training services for private, governmental, and charitable investment organizations, in addition to providing Project Management services. The firm reportedly has a strength of 4500+ employees offering training services for its clients.

- **Al Moammar Information Systems (MIS):** Established in 1979 and listed on the Saudi Stock Market (Tadawul) since April 2019, the company aims to become a leading ICT solutions and services partner within the Kingdom and the broader region.

- **Jeraisy Computer and Communication Services:** A subsidiary of Jeraisy Group established in the early eighties to provide services in the telecommunication and IT market in KSA. It provides IT solutions, system integration services, data communications and ISP and managed services.

- **Maximus Gulf:** Established in 2013. Maximus Gulf has delivered 300,000+ training courses and workshops in the Middle East.

- **Saudi Business Machines (SBM):** Established in 1981 and is the General Marketing and Services Representative of IBM World Trade Corporation in Saudi Arabia. Its vision is to be the leading technology partner maximizing the clients' value throughout their transformation. Saudi Business Machines can rely on IBM solutions and products to offer a vast portfolio to its clients and is focusing on cloud services and cloud solutions.

- **solutions by STC:** Established in 2002, solutions by STC is the ICT operational arm of Saudi Telecom Group.

- **Takamol Holding:** Established in 2013 as a government company under Ministry of Labor and Social Development (MLSD), tts vision is to be the primary enabler for socio-economic transformation of society, for society, alongside, and together with society.

- **Tamkeen Technologies:** Established in 2013 as a semi-governmental company owned by Human Resources Development Fund (HRDF) and Takamol Holding Company. Its vision is to be the trusted and preferred digital technology partner for sustainable growth. It has access to a preferred network through the holding company Takamol providing access to several different industries where government agencies operate.

- **Tata Consultancy Services:** Established in 2015 as a Saudi subsidiary of Tata Group. Conceptualized the world's first 'all-women' Business Process Services (BPS) center in Riyadh.

- **THIQAH:** Established in 2012 and owned by the Saudi Authority for Accredited Valuers (TAQEEM), THIQA's mission is to become a trusted partner to create long-lasting value through innovative business and digital solutions delivered by vibrant talent, while enabling partners from government and private sectors to achieve a positive impact. While the firm is presently government-owned,

- **Wipro Arabia:** Established in 2007 as joint venture between Wipro and Dar Al-Riyadh. Its mission is to help create a new kind of professional services firm that works with both business and IT executives to innovate and deliver.

From a competitive landscape perspective, Elm's key competitors are profiled in Table 7

Table (3-7): Comparison of key competitors' portfolios vis-à-vis Elm's BUs

Competitor	Products Suites	BPO	DDS	Nationaliz. & Upskilling	Prof. Services	Manpower (Emdad)
Elm	✓	✓	✓	✓	✓	✓
Solutions by STC	✓	✓	✓		✓	
AEC		✓	✓		✓	✓
SBM	✓		✓		✓	
MIS			✓		✓	✓
Wipro Arabia		✓	✓		✓	
Al Khaleej Training				✓		✓
Maximus Gulf				✓	✓	
Tata	✓		✓		✓	
Tamkeen Technologies	✓		✓		✓	
THIQAH	✓	✓	✓		✓	✓
Takamol	✓			✓	✓	✓

Source: based on competitive landscape:

3-6-2 Contrasting Elm's value proposition, strengths and differentiators, and opportunities

Elm is broadly recognized as a pre-eminent player in the KSA technology and digitalization landscape in the KSA. It presently manages over 22m subscribers who utilize Elm's products, services and platforms to render over 2 mn transactions on a daily basis across a wide variety of roles and service offerings. It is broadly considered to be amongst the leading players in the digitalization space in the KSA and is well known for the breadth of services it provides – spanning from development and implementation of core digital technologies, to providing process enhancement support and enabling digital transformation, to supporting its clients in operationally delivering value to citizens and residents of the KSA.

a) Elm's key strengths

Depth of Relationship

Elm has developed and sustained a strong relationship with its customers within Saudi Governmental bodies and their affiliates.

Trusted Brand and Capabilities

Elm is considered as a trusted provider to deliver large-scale projects. Its brand is well recognized within Saudi Arabia and known for the impact it has on the society (e.g. Absher, Mass Testing, Vaccine Center, Hafiz, Citizen Account).

End-to-end capabilities

Elm's capabilities extend from design to implementation – the firm being able to provide end-to-end services. It has a differentiated ability to develop and run intensive consumer platforms and solutions (e.g. Absher, Tamm, Yaqeen and Rabet) and is well integrated with a broad variety of stakeholders such as financial institutions such as banks, insurance companies and regulators.

b) Elm's opportunities

Consolidation and Integration

Elm has opportunities to further consolidate and integrate its portfolio and leverage its solutions across multiple ministries and ministerial bodies to develop novel and integrated products and use cases. It also has an opportunity to leverage collected data and deliver enhanced analytics / insight-oriented solutions to add incremental value to its clients.

Expansion into new domains and markets

Elm can also potentially expand into new domains beyond its existing portfolio and deploy solutions already developed. Other opportunities include expanding into adjacent international markets, with existing and new offerings targeting governments, private sector, and SMEs.

Deepening Private Sector Focus

While Elm's products target private consumers and organizations at present, the products and solutions it launches are done at the discretion of governmental bodies. At the same time, privatization, corporatization, and other such initiatives in the KSA are likely to enhance the presence and role played by the private sector. Having built a sizable platform, solutions and data sets end-to-end, Elm can target these opportunities more directly.

c) Elm's competitive positioning and differentiators

Elm is differentiated from its competition largely along the breadth of industries it can provide its products and services to. While other direct / indirect competitors do target some or all these industries, their emphasis is more concentrated at fewer industries. Its value proposition also targets a broader industry / domain base.

In addition, Elm's capabilities go beyond pureplay digital offerings and it has (either directly, or through Emdad) the ability to deliver non-digital elements combined with digitally enabled offerings. This is a key differentiator for Elm.

3-7 Taxonomy definitions

Market	Segment	Sub-segment	Description
Technology	Data & AI	AI Software and services	Development of AI software and services that are typically use-case based
		AI Platforms	Development of an Artificial Intelligence platforms using algorithms to process information and enable delivery of complex analytical solutions
		Big Data & Analytics	Delivery of a complete solution with enables storing, developing, deploying, monitoring and managing large datasets for investigation and analysis
		AR / VR	Deployment and support of Augmented Reality/Virtual Reality devices in sector-specific use cases (E.g., Maintenance of airplanes, AR-assisted surgery, etc.)
		Data Management Software	Management of data warehousing, visualization and reporting solutions
	Software Engineering	3D Printing	Deploying and supporting 3D printing applications across various sectors, excluding 3D printing hardware
		Integration and Orchestration Middleware	Deployment of tools used by developers and integration specialists to integrate applications. This software is deployed on premises as software implemented on servers, in appliances, and as public and hybrid cloud offerings
	Platform and Ecosystem	Blockchain	Developing use-cases based on the Blockchain distributed ledger technology in various sector-specific hotspots (E.g., Healthcare delivery, Identity verification, etc.)
		IoT Platforms	Enabling the installation, connection, and operation of IoT devices, along with developing AA solutions that utilize IoT data (E.g., Streaming analytics), but excluding deployment of any devices
		Robotics (RPA) Platforms	Implementation and support for application specific, multi-purpose, or cognitive robotic applications
		Functional Platforms / Solutions (SCM, CRM etc.)	Deployment of platforms / ecosystems that are customized to a particular need and are typically functional specific for e.g., Engineering, Supply chain etc.
		Public cloud	Applications and programs deployed over the public cloud
		Hosted app. mgmt.	Includes shared web hosting, dedicated server hosting and co-location
		Hosting infrastructure services	Solutions that allows users to execute and operate a software application entirely from the cloud

Market	Segment	Sub-segment	Description
Technology	Delivery Excellence	IT & Network endpoint outsourcing	IT outsourcing - Service provider takes responsibility of managing a large portion or complete IT environment Network and endpoint outsourcing - Set of activities associated with outsourcing the support and management of one or more elements of the client/server and network communications infrastructure
		Software Quality and Lifecycle	Delivery of automated software quality tools, in addition to software change and configuration management tools that support the process of software development and deployment.
	Business Applications	Mobility	Deployment and support of multiple mobility platforms and solutions for clients› employees ranging from smartphones, tablets, laptops as well as enterprise mobility management software deployment
		Custom Applications	Design, development, and support of custom applications for specific clients in on-premise environments
		Software deployment and support	Provision of activities, expertise, and systems all aimed at providing the end-user with proper installation, configuration, and utilization of software.
		IoT Services	Enabling the installation, connection, and operation of IoT devices
	Basic Facilities	Packaged Software	Deployment and support of off-the-shelf software solutions
		Workplace Collab	Provision of applications that enable groups of people to work together by sharing information and processes. These include conferencing applications, email applications, enterprise community applications, and team collaboration applications.
		Identity and Access Management	Designing and implementing protocols and instruments for identity access (E.g., multi-factor authentication, biometric access, etc.)
		Systems and network implementation	Includes systems and network implementation for e.g., ERP implementation and integration with other legacy applications
		Storage and Compute	Deployment and operations management of client›s storage and compute instances across the enterprise (E.g., Data center, personal computing, etc.)
BPO / Operations management	BPO / Operations management	BPO as a service (BPaaS)	Digitally enabled / cloud oriented outsourcing services in business functions such as cloud payment processing, Service components of customer management, HR, and other line functions
		Traditional BPO	Traditional BPO activities provided for key business functions such as documentation / archiving, customer management, line functions such as F&A, SCM etc.
		Specialised outsourcing services	Non-traditional, use-case driven and recurring large scale operations outsourcing projects for e.g., Municipality inspections, Hajj & Umrah visitor management
Consulting (Professional Services)	Consulting (Professional Services)	IT Consulting	Delivery of professional services / advice to customers aimed at managing their IT organization and/or improving an organization›s IT performance, infrastructure including IT security, and related processes
		Business Consulting incl. BPM	Delivery of advisory and implementation services related to business management, it involves defining an organization›s strategy and goals and designing and implementing the structures and processes that help the organization reach its goals
Human Capital Services	Training	IT training and education	IT education and training services include spend on ICT skills development to meet business requirements related to developing, administrating, or using information technology
		Soft skills training	Providing thematic soft skill training and know how to workers / citizens to enable greater employability and their associated recruitment, also supports in nationalization efforts for citizens
	Recruitment & Manpower Supply	Recruitment services	Providing services that include selecting and placing permanent and temporary staff, employee leasing, listing employment vacancies and outsourcing management of personnel-related administrative functions, such as payroll and employee benefit administration

source:

4- Background of the Company and Nature of its Business

4-1 Overview of the Company

Elm Company is a Saudi one-person closed joint stock company converted pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), and registered in the Commercial Registry of Riyadh under No. 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G), with its registered address at P.O. Box 67651, Riyadh, Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City, 12382, Kingdom of Saudi Arabia.

The Company was established on 24/10/1408H (corresponding to 09/06/1988G) as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value of ten thousand Saudi Riyals (SAR 10,000) per share, and registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**". On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full divided into five million (5,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). On 24/03/1442H (corresponding to 10/11/2020G), the Company's Extraordinary General Assembly agreed to amend the Company's name from "**Al-Elm Information Security Company, a one-person closed joint stock company**" to "**Elm, a one-person closed joint stock company**" and increase the Company's capital from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty-five million (45,000,000) new shares in the Company through (a) the capitalization of thirty-three million, three hundred and thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings, and (b) the capitalization of four hundred and sixteen million, six hundred and sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in exchange for in-kind shares resulting from the acquisition of Tabadul. On 10/11/1442H (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. This increase was covered by capitalising three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings. (For more information about the Company's history, please see Section 4-1-2 "**Corporate History and Evolution of Capital**" of this Prospectus.)

The principal activities of the Company are concentrated in the digital services sector. Pursuant to its Bylaws, the Company's principal activities include:

- providing telecommunications, information technology, information security, e-business, and credit information sharing services.
- providing electronic connectivity services between the public sector and the private sector.
- managing, equipping, operating, and maintaining data and information centres;
- engaging in wholesale and retail trade in electronic hardware and mechanisms and their spare parts, software, information systems, and communication networks, and the import and export thereof;
- managing, maintaining, operating and developing electronic hardware and mechanisms, information systems, and communication networks;
- providing sites for purchasing and selling online;
- providing, training, and developing workforce to manage, operate, and develop public and private business and services in ICT and other fields;
- obtaining commercial agencies related to the Company's purposes;
- managing, marketing, and offering its projects or non-technological projects inside and outside the Kingdom;
- providing all technology development, marketing, and investment activities and services;
- providing management services for technology projects and supervising their implementation;
- training in the field of technology development, marketing, and investment;
- investing inside and outside the Kingdom in technology companies and projects;
- attracting local and foreign investments to participate in any of the Company's activities; and

- providing specialized consultation in technology work, information security, communications, e-business, and credit information sharing.

The Directors declare that, as at the date of this Prospectus, there is no contemplated material change to the nature of the Group's business.

4-1-1 Shareholder Structure

The Company's current capital is eight hundred million Saudi Riyals (SAR 800,000,000) divided into eighty million (80,000,000) shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary shares, consisting of thirty-eight million, three hundred and thirty-three thousand, two hundred and five (38,333,205) cash shares, and forty-one million, six hundred and sixty-six thousand, seven hundred and ninety-five (41,666,795) in-kind shares. The following table sets out the Company's ownership structure as at the pre- and post-Offering:

Table (4-1): Ownership structure of the Company pre- and post- Offering

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares	Total Nominal Value (SAR)	Percentage	Number of Shares	Total Nominal Value (SAR)	Percentage
1.	Public Investment Fund	80,000,000	800,000,000	100%	53,600,000	536,000,000	67%
2.	Public	-	-	-	24,000,000	240,000,000	30%
3.	Treasury shares*	-	-	-	2,400,00	24,000,000	3%
Total		**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

* In parallel with the Offering, the Public Investment Fund will sell two million four hundred thousand (2,400,000) shares based on the Offer Price to the Company to be used in the employee share program.

Source: The Company

4-1-2 Corporate History and Evolution of Capital

a) Incorporation (1408H, corresponding to 1988G)

The Company was initially established as a limited liability company on 24/10/1408H (corresponding to 09/06/1988G) with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value of ten thousand Saudi Riyals (SAR 10,000) per share, and registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**".

b) The Company's conversion from a limited liability company to a closed joint stock company and capital increase (1428H, corresponding to 2007G)

On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full, divided into five million (5,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing an amount of twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). The following table shows the Company's ownership structure upon its conversion to a closed joint stock company:

Table (4-2): Company's ownership structure Upon its conversion from a limited liability company to a closed joint stock company

#	Shareholder	Number of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Shareholding (%)
	Public Investment Fund	5,000,000	10	50,000,000	100%
Total		**5,000,000**	**10**	**50,000,000**	**100%**

Source: The Company

c) Capital increase and change of the Company's its name (1442H, corresponding to 2020G)

On 24/03/1442H (corresponding to 10/11/2020G), the Company's capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, consisting of eight million, three hundred thirty-three thousand, two hundred and five (8,333,205) cash shares and forty-one million, six hundred and sixty-six thousand, seven hundred and ninety-five (41,666,795) in-kind shares. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty-five million (45,000,000) new shares in the Company through (a) the capitalisation of thirty-three million, three hundred and thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings, and (b) the capitalisation of four hundred and sixteen million, six hundred and sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in exchange for in-kind shares resulting from the acquisition of Tabadul. The Company's name was also changed from "**Al-Elm Information Security Company**" to "**Elm**", pursuant to the Extraordinary General Assembly's resolution dated 24/03/1442H (corresponding to 10/11/2020G). The following table sets out the Company's shareholding structure following the capital increase:

Table (4-3): Company's ownership structure as at 24/03/1442H (corresponding to 10/11/2020G)

#	Shareholder	Number of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Shareholding (%)
	Public Investment Fund	50,000,000	10	500,000,000	100%
Total		**50,000,000**	**10**	**500,000,000**	**100%**

Source: The Company

d) Capital increase (1442H, corresponding to 2021G)

On 10/11/1442H (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, consisting of thirty-eight million, three hundred and thirty-three thousand, two hundred and five (38,333,205) cash shares and forty-one million, six hundred and sixty-six thousand, seven hundred and ninety-five (41,666,795) in-kind shares. The increase was covered by capitalising three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings. The following table sets out the Company's shareholding structure following the capital increase:

Table (4-4): Company's Ownership Structure as at 24/03/1332 (corresponding to 10/11/2021G)

#	Shareholder	Number of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Shareholding (%)
1.	Public Investment Fund	80,000,000	10	800,000,000	100%
Total		**80,000,000**	**10**	**800,000,000**	**100%**

Source: The Company

4-1-3 Overview of the Public Investment Fund

The Public Investment Fund (PIF) is the sole shareholder of the Company. The Public Investment Fund was established in 1971G to provide financial support to projects of strategic importance to the national economy. Its role broadened to encompass number of different fields. In March 2015G, the Council of Ministers issued a resolution to transfer the supervision over Public Investment Fund to the Council of Economic Affairs and Development. In this process, a new board of directors was appointed for Public Investment Fund chaired by HRH Crown Prince Mohammed Bin Salman AlSaud. The board of the Public Investment Fund took many steps to define its vision and its strategic objectives clearly as consistent with Vision 2030. This was done to help achieve the Kingdom's vision in supplying a sustainable and diverse economy.

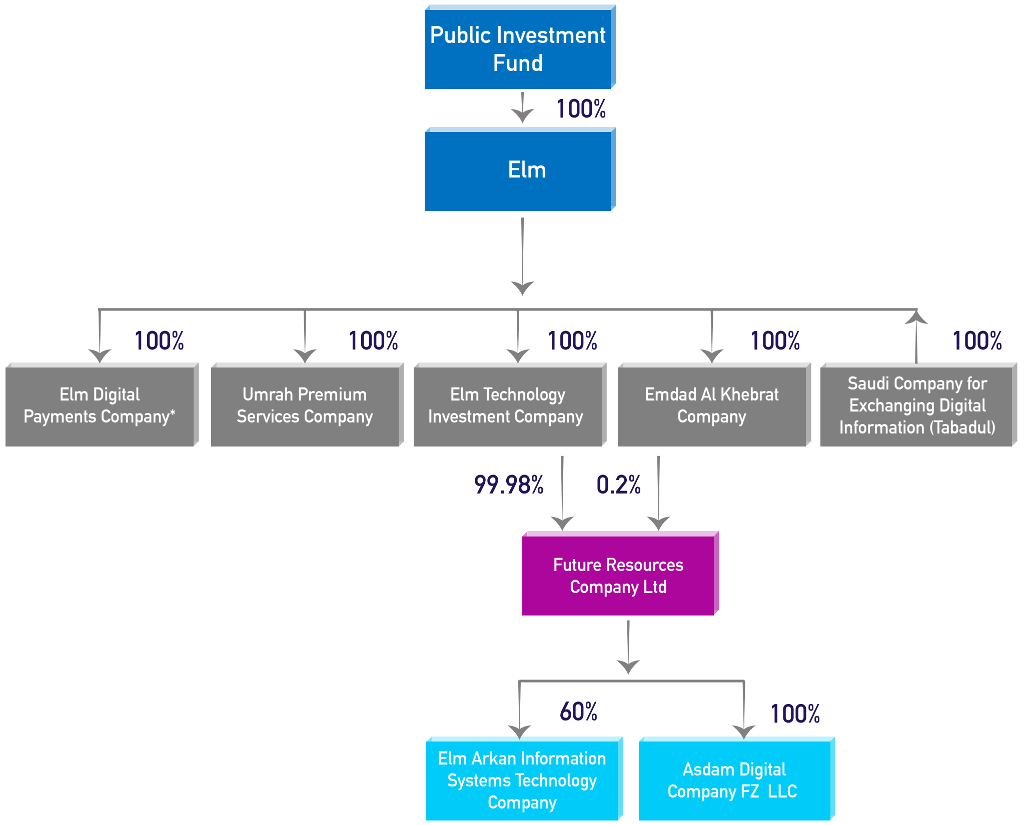
The Public Investment Fund is aiming to create a portfolio of local and international high end diverse investments through all sectors and geographical locations and asset categories. The Public Investment Fund, through cooperation with global strategic partners and leading investment managers, acts as a major investment arm for the Kingdom to implement a strategy focused on achieving high financial returns and long-term value for the Kingdom.

The Public Investment Fund aims to be an international investment power and the most influential investment fund globally which allows to create new sectors and opportunities that would establish the future general economy, in addition to assisting in the economic conversion of the Kingdom. The Public Investment Fund's mission is the long run active investment to achieve the maximum sustainable returns, and be the preferred investment partner to seize global opportunities and work to enable economic development and diversify the national economy in line with the ambitious goals of the Saudi Vision 2030.

4-1-4 Ownership Structure of the Company

The following chart sets out the organisational structure of the Group:

Figure (10): Organizational Structure of the Group



*Elm Digital Payments Company was liquidated and delisted from the Commercial Registry on 20/10/1442H (corresponding to 01/06/2021G).

Source: The Company

4-2 The Company's Vision and Future Prospects

4-2-1 Mission

The Company's mission is to innovate in order to empower communities and make life easier.

4-2-2 Vision

The Company's vision is to be the digital enabler of the government and business sectors in the Kingdom and the region.

Elm seeks to be the first digital enabler in the region by developing digital solutions such as platforms and products and implementing digital projects and business process outsourcing solutions related to Elm's business, while providing supportive advisory services in the digital fields and the surrounding business fields. The Company also aspires to expand its business through partnerships and acquisitions and extended by entering into new markets, in addition to adopting and supporting innovation and increasing sources of innovation inside and outside the Company.

4-2-3 Strategy

The Company seeks to be the first digital enabler in the region by developing digital solutions such as platforms and products and implementing digital projects and business process outsourcing solutions related to the Company's business, while providing supportive advisory services in the digital fields and the surrounding business fields. The Company also aspires to expand its business through partnerships and acquisitions and enter into new markets, in addition to adopting and supporting innovation and increasing sources of innovation inside and outside the Company.

The Company's strategy is based on five key pillars:

- **Pillar 1:** being customer centric by building multi-channel solutions that provide a homogeneous and comprehensive customer experience while maintaining service quality across all different channels;
- **Pillar 2:** developing digital platforms and multiple digital solutions for a number of public and private entities targeting multiple segments of users in a way that ensures the Company's growth and the sustainability of its revenues;
- **Pillar 3:** achieving strategic partnership-based growth by establishing strategic partnerships or acquisitions with specialized companies or developing partnerships with successful companies;
- **Pillar 4:** encouraging innovation and adopting new innovative methods by focusing on the product, being customer-centric, and activating flexibility, in addition to benefiting from various sources of innovation and working with research and development companies to come up with innovative solutions and products; and
- **Pillar 5:** expanding internationally by exporting digital solutions, platforms and other Company services to international markets, in addition to entering into acquisitions and strategic partnerships in target markets.

4-2-4 Values

The Company's values are as follows:

- **Trust:** Promoting honesty, integrity, and openness among employees, partners, and customers.
- **Customer-centric:** Putting the customer's journey at the heart of every product and service.
- **Innovation:** Taking initiative and thinking outside the box to satisfy the Company's partners and customers.
- **Flexibility:** Unleashing the capabilities of employees to quickly respond to satisfy the Company's customers.
- **Reliability:** Showing commitment to employees and fulfilling the Company's promises to customers and partners.

4-2-5 Future Prospects

Pursue the Company's strategic directions by becoming the digital enabler in the Kingdom and the region through several factors, namely:

- develop digital platforms and solutions that enable digital transformation in the public sector and private sector;
- establish strategic partnerships with leading entities and institutions in the digital industry globally;
- invest in technology and modern technologies that enable the Company's business that will have a positive impact in the future, according to the requirements of customers and target markets; and
- diversify the Company's income sources and expand its markets and customers.
- Empower small and medium enterprises to be one of the most important partners in implementing projects and building the digital system.

4-2-6 Strengths, Competitive Advantages, and Future Prospects

a) Deep Relationships with Customers

The Company has established strong and solid relationships with its various customers including Saudi governmental entities and the private sector. The Company has strived to strengthen and maintain such relationships.

b) Reliable Trademark and Outstanding Capabilities

The Company is recognized as a reliable service provider that is well-positioned to execute major projects. The Company's trademark has a prominent position across the Kingdom and it is also known for its remarkable positive impact on society (such as: the Absher platform).

c) Integrated Comprehensive Capabilities

The Company has a variety of abilities and capabilities from the first stages of design to implementation. The Company has all the necessary capabilities to provide comprehensive and integrated services. The Company's unique capabilities include its specialized human and technical capabilities that enable the Company to develop and operate comprehensive digital platforms and solutions for customers (such as: Absher, Tamm, Yakeen, and Rabt). The Company also has strong relationships with a wide variety of relevant entities in the Kingdom, such as financial institutions that include banks, insurance companies, and regulatory authorities.

4-3 Overview of the Company's Business

The Company is a leading provider of integrated digital solutions, especially in the adoption of e-governments. The Company offers a large number of ready-made and customized digital solutions in many fields through diverse and flexible business models that fulfil customers' needs. Ready-made solutions include products that serve a wide range of customers, to which they can subscribe through various packages to suit each customer according to their needs. Customized solutions include projects that the Company provides to its customers according to their own needs, desires, and ambitions. The Group's business includes:

- **Products Suite:** Ready-to-use solutions in the form of technology services, portals, electronic applications, and related support work, developed by the Company in cooperation with a large number of public and private institutions to provide integrated services that cover a large segment of society, by creating advanced services that solve an existing problem or fill an existing service gap through converting traditional procedures into electronic transactions. The Product Suite's revenues amounted to one billion, forty million, one hundred and ninety-three thousand Saudi Riyals (SAR 1,040,193,000), one billion, one hundred and ninety-one million, two hundred sixteen thousand Saudi Riyals (SAR 1,191,216,000), one billion, five hundred and seventy-two million, four hundred and forty-four thousand Saudi Riyals (SAR 1,572,444,000), and nine hundred and forty-nine million, one hundred and ninety-two thousand, seven hundred and fifty-three Saudi Riyals (SAR 949,192,753) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 54.01%, 56.67%, 63.76%, and 52.99% of the Group's total revenue in the same period, respectively.

- **Digital Custom Solution:** Includes integrated technology business, "**Estihkak**" engines, and digital platforms, through which the Group provides integrated technology business solutions to public and private customers. The Digital Custom Solution's revenues amounted to three hundred and eighty-one million, five hundred and eighty-six thousand Saudi Riyals (SAR 381,586,000), three hundred and thirty-nine million, eight hundred and ninety thousand Saudi Riyals (SAR 339,890,000), one hundred and fifty-four million, six hundred and forty-six thousand Saudi Riyals (SAR 154,646,000), and one hundred and six million, nine hundred and eighty-eight thousand, five hundred and eighty-three Saudi Riyals (SAR 106,988,583) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 19.81%, 16.16%, 6.27%, and 5.97% of the Group's total revenue in the same period, respectively.

- **Professional Services:** Includes consulting and professional services in data analysis and artificial intelligence, through which the Group gains an understanding of the institution's problems and develops a comprehensive business plan to develop its general performance and improve customer satisfaction. Revenues from Professional Services amounted to one hundred and nineteen million, one hundred and sixty-nine thousand Saudi Riyals (SAR 119,169,000), one hundred and thirty-eight million and forty-seven thousand Saudi Riyals (SAR 138,047,000), eighty-six million, four hundred and eighty-seven thousand Saudi Riyals (SAR 86,487,000), and forty-eight million, seven hundred thirteen thousand, two hundred and fifty-two Saudi Riyals (SAR 48,713,252) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 6.18%, 6.56%, 3.50%, and 2.72% of the Group's total revenue in the same period, respectively.

- **Business Process Outsourcing:** The Group seeks, through the Business Process Outsourcing segment, to enhance its competitive advantage in terms of both operation and service delivery in the specialization areas through the management and full operation or partial support of services in specific areas and the gradual shift to digital visualization. Revenues from Business Process Outsourcing services amounted to three hundred and eighty-four million, seven hundred and sixty-two thousand Saudi Riyals (SAR 384,762,000), four hundred and thirty-two million, eight hundred and sixty-six thousand Saudi Riyals (SAR 432,866,000), five hundred and thirty million, eight hundred and eighteen thousand Saudi Riyals (SAR 530,818,000), and five hundred and fifty eight million, nine hundred and fifty-two thousand, four hundred Saudi Riyals (SAR 558,952,400) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 19.98%, 20.59%, 21.52%, and 31.20% of the Group's total revenue in the same period, respectively.

- **Nationalization and Upskilling:** The Group, through the Nationalization and Upskilling Department, qualifies national cadres to the highest international standards, whether they are job seekers or on-the-job employees, through tight recruitment processes to fill available vacancies in the labour market. Nationalization and Upskilling is a new segment in the Group. Its revenues amounted to one hundred and twenty-one million, six hundred and seventy thousand Saudi Riyals

(SAR 121,670,000) and one hundred and twenty-seven million, five hundred and seventy-six thousand, two hundred and thirty-three Saudi Riyals (SAR 127,576,233) in the financial year ended 31 December 2020G and the six-month period ended 30 June 2021G, respectively, accounting for 4.93% and 7.12% of the Group's total revenue in the same period, respectively.

- **Tabadul:** Tabadul develops digital solutions for the logistics sector to increase efficiency and transparency and enhance operational performance. Tabadul has developed a number of logistical and financial solutions, including the Fasah and Wethaq platforms. Revenues from Fasah amounted to one hundred and forty-two million, three hundred and eighty-two thousand, one hundred and thirty-six Saudi Riyals (SAR 142,382,136), two hundred and seventy-one million, four hundred and eighty-four thousand, seven hundred and fifty-six Saudi Riyals (SAR 271,484,756), two hundred and seventy-two million, five hundred and ninety-two thousand, six hundred and twelve Saudi Riyals (SAR 272,592,612), and one hundred and fifty million, seven hundred and sixteen thousand and sixty-one Saudi Riyals (SAR 150,716,061) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively.
- **Emdad Al Khebrat:** Emdad Al Khebrat provides specialized and non-specialized human resources services on a large scale to various public and private entities in the Kingdom. Emdad Al Khebrat also provides qualified human resources under contract in order to support its customers in the implementation of their major projects. In addition, Emdad Al Khebrat manages call centres and service centres, provides consulting services in electronic business and operation and maintenance services, and imports, exports, and sells hardware, equipment, software, and systems. Emdad Al Khebrat's revenues amounted to two hundred and nineteen million, two hundred and twenty-nine thousand, three hundred and forty-five Saudi Riyals (SAR 219,229,345), three hundred and thirty-five million, six hundred and forty-six thousand, five hundred and ninety-four Saudi Riyals (SAR 335,646,594), three hundred and ninety-seven million, eight hundred and forty-nine thousand, six hundred and eighteen Saudi Riyals (SAR 397,849,618), and two hundred and eighty-eight million, nine hundred and four thousand, eight hundred and thirty-four Saudi Riyals (SAR 288,904,834) in the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively.

4-3-1 Summary of Material Events

The following table provides a summary of the timeline of key events since the incorporation of the Group:

Table (4-5): Material Events

Date	Event
1988G	The Company was incorporated as a limited liability company under the name "**Al-Elm Research and Development Company**", as a research company operating in the transfer and localization of technology from around the world.
2002G	The Company's name was changed to "**Al-Elm Information Security Company**".
2002G	The Group started providing electronic services and all services related to information security, and expanded the scope of its services to the government.
2004G	The Yakeen service for real-time documentation was launched as the first electronic documentation service in the Kingdom.
2007G	The Company was converted from a limited liability company into a closed joint stock company.
2007G	Muqeem was launched as the first integrated interactive service.
2010G	The Group operated the first model centre for government services.
2011G	The Group expanded its business activity to provide consulting and information technology services such as Hafiz and Absher as well as outsourcing and training services.
2011G	The Group launched Estihkak, the first engine to verify eligibility.
2017G	The Group became the first to be assigned inspection work in the public sector through Ejada, an electronic inspection service.
2018G	The Group moved from automation to digitization through a strategy relying on innovation as its main pillar, making it the first digital platform to provide an integrated customer experience, and began to expand on a global level.
2020G	The Company acquired Tabadul.
2020G	The Company's name was changed to Elm.

Source: The Company

4-3-2 Overview of Subsidiaries

The Company has six (6) subsidiaries in the Kingdom, one subsidiary in the United Arab Emirates, and many other investments outside the Kingdom (for more information about the Group's business and assets outside the Kingdom, please see Section 4-5 "**Venture Investment Management**" of this Prospectus). To measure the materiality of the Company's subsidiaries, the Group and the Financial Advisor took into account their impact on the decision to invest in the Company's securities and their prices including, but not limited to, whether they constitute 5% or more of the Company's total assets, liabilities, revenues, profits, or contingent liabilities. Accordingly, the Company has five (5) non-material subsidiaries and two material subsidiaries, as follows:

- **Elm Technical Investment Company**, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010599252 dated 16/02/1441H (corresponding to 15/10/2019G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company. Pursuant to its memorandum of incorporation, Elm Technology Investment Company operates in retail of computers and computer accessories, systems analysis, software design and programming, software maintenance, web page design, and website design.
- **Umrah Premium Services Company**, a one-person limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010656805 dated 12/02/1442H (corresponding to 29/09/2020G), with a share capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, which is wholly owned by the Company. Pursuant to its memorandum of incorporation, Umrah Premium Services Company operates in information and communication activities, computer programming, computer consultancy activities, computer facility management, information and computer technology activities, data processing, web hosting and related activities, network portals and other information service activities, retail sale of information and communication equipment in specialized stores, management and support services, reception and departure services for Umrah pilgrims at ports, accommodation and food service activities, Hajj and Umrah catering providers, professional, scientific and technical activities, marketing services on behalf of third parties, management and support services, reservation and marketing of tourist accommodation units, outreach activities using similar methods to sell or market goods or services to potential customers, market research, public opinion surveys and other activities for customers, intra-city bus transportation and intercity bus transportation, review and inspection of various systems and measurement of their performance, dealing with passengers in airports, and inspection activities in event and recreational facilities. Umrah Premium Services Company has not started its business as at the date of this Prospectus.
- **Future Resources Limited**, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010606896 dated 23/03/1441H (corresponding to 20/11/2019G), with a share capital of fifty thousand Saudi Riyals (SAR 50,000) divided into five thousand (5,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, of which 99.98% is owned by Elm Technology Investment Company and the remaining 0.02% is owned by Emdad Al Khebrat. Pursuant to its memorandum of incorporation, Future Resources Limited operates in other financial services activities, excluding insurance and contractual pension financing, management consultancy activities, and computer programming activities.
- **Asdam Digital FZ LLC:** a limited liability company incorporated in Dubai and registered under Commercial Registration No. 99019 on 09/02/1443H (corresponding to 16/09/2021G). The share capital of Asdam Digital FZ LLC is fifty thousand Emirati dirhams (AED 50,000) divided into fifty (50) shares, with a nominal value of one thousand Emirati dirhams (AED 1,000) per share. It is wholly owned by Future Resources Limited.
- **Elm Arkan Information Systems Technology**, a company incorporated and existing in the Kingdom and registered under Commercial Registration number 1010209530 dated 15/04/1426H (corresponding to 23/05/2005G), with a share capital of five hundred thousand (500,000) Saudi Riyals divided into five (5,000) cash shares with a nominal value of (100) Saudi riyal per share, of which 60% is owned by Future Resources Limited and the remaining 40% by Saud Saad Saud AlArifi.

Following is a description of the material subsidiaries:

a) Tabadul

Tabadul is a Saudi closed joint stock company established in the Kingdom under Commercial Registration No. 1010274503 dated 14/10/1430H (corresponding to 03/10/2009G). Tabadul's main activities are installing, maintaining, and supporting ICT devices and software; developing, marketing and installing ICT programs, systems, and applications; owning, establishing, developing, operating, and managing ICT facilities; participating in the development, establishment, operation, maintenance, and management of technological areas; developing, managing, and implementing training programs for hardware, information systems and programs, change management programs, electronic and engineering projects; attracting local and foreign investments to participate in ICT projects; conducting all works related to its purposes such as selling, buying, renting, and leasing of movable and immovable assets, whether for the account of Tabadul or third parties; and entering into loans, issuing bonds, and concluding agreements related to ICT projects.

Tabadul's share capital is fifty million Saudi Riyals (SAR 50,000,000), divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table sets out the ownership structure of Tabadul as at the date of this Prospectus:

Table (4-6): Ownership Structure of Tabadul as at the Date of this Prospectus

No.	Shareholder	Number of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Shareholding (%)
1.	The Company	5,000,000	10	50,000,000	100%
Total		**5,000,000**	**-**	**50,000,000**	**100%**

Source: The Company

b) Emdad Al Khebrat Limited

Emdad Al Khebrat Limited is a limited liability company established in the Kingdom under Commercial Registration No. 1010414975 dated 22/07/1435H (corresponding to 21/05/2014G). Emdad Al Khebrat's main activities are focused on managing call centres and service centres, providing consulting services in electronic business, operation and maintenance services, import, export and sale of hardware, equipment, software, and systems, and workforce development.

The share capital of Emdad Al Khebrat is five hundred thousand Saudi Riyals (SAR 500,000), divided into fifty thousand (50,000) cash shares, with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table shows the ownership structure of Emdad Al Khebrat as at the date of this Prospectus:

Table (4-7): Ownership Structure of Emdad Al Khebrat as at the Date of this Prospectus

No.	Partner	Number of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Shareholding (%)
1.	The Company	50,000	10	500,000	100%
Total		**50,000**	**10**	**500,000**	**100%**

Source: The Company

4-4 Overview of the Company's Products and Services

4-4-1 Products Suite

a) Products and Services Owned by the Group

The Group offers innovative ready-to-use solutions in the form of services, digital platforms, portals, electronic applications, and related support work, targeting specific segments in different sectors to find integrated solutions that cover their requirements, adopting modern technologies and trends in technology, and supporting business intelligence and IoT with different business models. The Group owns the products and platforms set out below. They are developed and registered as a trademark of the Company including patents (if any). The Group's solutions have various advertising names that facilitate their marketing.

The Group's products include several products falling into seven (7) basic categories (existing and scalable) that include mobility products, vehicle products, business solution products, product integration products, security and safety products, real estate and utility products, and health solution products. Following is a list of current products and services, some of which contain scalable sub-services:

1) Yakeen Product

An e-service launched in 2003G, enabling financial institutions (such as banks and insurance companies) and public service institutions (such as government entities, health facilities, financial sectors, and aviation sectors) and other institutions to verify the data of any person with whom they have an official relationship (such as customers, auditors, employees, and applicants) within the limits of information privacy, by providing connectivity to the data of the National Information Center and Saudi Post in real time. Yakeen provides support to reduce fraud and enhance the level of data quality by keeping it up-to-date and consistent with official records on an ongoing basis. Subscription to this service is made through a variety of packages that suit each customer's needs. Yakeen includes the following services:

- **Basic Yakeen:** Provides a one-time verification process, such as verifying the identity of residents or citizens and their data, verifying all data and sending it back to the entity within a specified timeframe.

- **Direct Yakeen:** Provides verification on a daily basis as a basic and necessary procedure in the banking and insurance sectors. It verifies all data and immediately submits it to the entity, by linking its systems directly with the databases of the National Information Center.
- **Yakeen Rowad:** Verifies individual customer data for entities by linking electronically with the databases of the National Information Center. This service is provided to achieve the highest levels of security and reliability at a low cost to support entrepreneurs and start-ups.
- **Yakeen IPO:** Verifies the data and information of subscribers to shares or real estate funds. This service is mostly used by banks and capital companies that manage IPOs.
- **National Address Verification:** Provides the service of verifying the national address data of customers or beneficiaries and the extent to which it matches the official and documented records of the Saudi Post. One of the features of the National Address Verification service is that it provides instant and accurate information and up-to-date data in conformity with official records.

2) Shyper Product

Launched in 2020G, this digital product links the customer with shipping companies operating in the Kingdom. Using this platform, the customer ships orders online after reviewing the shipping companies' options and prices. This platform aims to support retail companies, stores, and e-commerce platforms mainly by providing many shipping options and prices to the customer, which leads to a reduction in the material cost of searching for suitable shipping options, and managing capacity by distributing shipments among shipping companies.

One of the features of Shyper is that it improves and facilitates the shipping experience by allowing customers to compare the services and prices provided by shipping companies as well as by enabling customers to easily purchase a bill of lading online from all shipping providers through the platform.

3) Mojaz Product

A digital platform and electronic application that was launched in 2018G and provides available information on any used car since the date of its entry into the Kingdom. It helps persons looking for used cars to make a purchase decision based on information from entities such as the General Department of Traffic, insurance companies, and car agents. Mojaz aims to increase trust and transparency in the used car market and provides various reports supported by numbers, statistics, and dates to beneficiaries, such as how many times the car was maintained, the successive owners of the car, and an accident description service that shows the date of an accident, its cause, and the investigating authority, as well as other information by linking with the competent authorities (the General Department of Traffic, the Periodic Inspection Department, and some car agencies) to ensure the integrity and automation of information on a regular basis. This information is provided to help customers make an informed decision. Mojaz also provides a feature of reviewing the description of an accident recorded in the Mojaz report, which is based on input from the official authorities investigating the accident. This increases transparency and the fair evaluation by the beneficiary of the car price.

One of the aims of the service is to increase trust and transparency and reduce fraud related to buying or selling used cars. It also provides the possibility of examining a car that is displayed on websites or located in a remote region without the need to be physically present in the same place. Mojaz aims to increase trust and transparency in the used car market. To this end, Mojaz offers a range of various services. For example, the service provides the basic report of vehicle data and specifications, maintenance record report, accident photo and estimate report, accident description service, and various packages that fulfil the beneficiary's needs, inform the beneficiary in making a decision, and enable the beneficiary to easily make payments through SADAD.

4) Ertah Platform

Launched in 2020G, this application improves the experience of car owners and car maintenance and repair centres, by increasing trust between car owners and workshops by automating all services related to maintenance and repair and providing approved payment methods in addition to evaluating workshops for the end user to enhance the quality of services.

5) Mazadat Product

Launched in 2021G, this product helps establishments launch and conduct auctions, while accurately verifying bidders' data in real-time. Payment can be made in cash or electronically. This product aims to facilitate the auction process for beneficiaries and public and private entities. It automatically verifies bidders' data, provides reports and performance indicators based on auction information, in addition to fully managing and monitoring the auction process. The Group operates Mazadat through Al-Dal Real Estate Services Company, of which 70% is owned by Itqan Real Estate Company and the remaining 30% is owned by Future Resources Limited.

6) Emdad Platform

Launched in 2020G, this electronic platform aims to facilitate companies' journey to reach the appropriate supplier for their business needs through a comprehensive network of suppliers in various business sectors. Emdad also aims to connect buyers and suppliers and meet the needs of companies in an easy and efficient manner. Emdad includes:

- immediate registration as a supplier or buyer;
- detailed review of the supplier's profile;
- formation of a work group and defining competencies;
- detailed information on the company's profile, which can be amended;
- instant messaging between supplier and buyer;
- management of the company's addresses;
- search for a supplier using different search parameters;
- instant alerts through various channels;
- management and display of products in the supplier's profile;
- quotation requests and management;
- issuance and management of purchase orders; and
- management of invoices and purchase orders.

7) Marmouq Platform

Launched in 2020G, this platform aims to gather advertising channels under one umbrella to organize marketing and advertising activities through the interaction of advertising agencies and advertisers in one place. This will facilitate the process, help find the best deals, and provide greater and better access to markets and available services. The main services provided to agencies and influencers include:

- managing work groups;
- managing offered packages;
- communicating with customers and responding to their inquiries through the platform's communication channel;
- managing campaigns through requests received;
- managing business profiles through the control panel; and
- providing notices and reports.

The main services provided to advertising customers include:

- reviewing the platform's packages by searching and filtering;
- purchasing the appropriate advertising packages;
- reviewing agencies and influencers and their business profiles;
- communicating with agencies and influencers through the platform;
- managing orders (campaigns) purchased;
- managing business profiles through the control panel; and
- providing notices and reports.

8) Distributor Product

Launched in 2020G, this service links distributors to points of sale, monitors goods distribution lines, automates the process of ordering goods, facilitates daily operations in terms of demand, and controls inventory and return operations.

The main services provided through the Distributor application include:

- **Manage products and offers**: The ability to add, delete, or change products and add offers on specific products by distributor.

- **Order goods:** Point of sale users will be able to order products from various distributors within the app.
- **Confirm the receipt of goods:** Documenting the receipt of shipments by points of sale via QR code scanned by the shipment receipt representative.
- **Return goods:** The ability to return shipments after they are received if the specified conditions are met.
- **Electronic billing:** Issuing detailed electronic invoices for each process, in addition to the ability to print invoices.
- **Manage users:** User management through suppliers' websites.

9) Natheer Product

Launched in 2018G, this service was designed to help entities and institutions update the data of persons they deal with, including customers, auditors, and employees. Natheer electronically links with official and documented records of government entities such as NIC, GOSI, and the Saudi Post. To use Natheer, entities and institutions provide the service with a list of persons to monitor for changes in their data. Natheer, in turn, sends instant updates in the event that the data of these persons changes or any changes are made to their official records such as the death of the customer, the final exit of residents, the cancellation of the final exit visa issued to residents, and the issuance of an exit and re-entry visa to residents who have not returned.

Natheer is distinguished by its effective ability to update persons' data to match the data of official authorities and improve the quality of personal data. Natheer also provides updated information when there is a change in government records, improves data quality for the customer, and eliminates defects of most databases, such as errors resulting from out-of-date information and failure to update information.

10) Dakhli Product

Launched in 2020G, this product aims to study and fulfil needs related to providing data on income and wealth for individuals, such as information on leases, real estate assets, commercial assets, and investments. It also aims to provide data regarding individuals' employment, such as the information at GOSI and the Public Pension Agency. Accordingly, Dakhli facilitates inquiries about persons' income, wealth, and employment. The service makes inquires regarding salary from the official source of this data directly without the need for the inquirer to attend, which enhances the effectiveness of the electronic services provided by the customer, in addition to preventing fraud or human errors.

In addition to income, wealth, and employment services, Dakhli aims to provide a risk analysis service and help introduce a new industry into the credit universe. Dakhli also aims to provide the solvency system service, which in turn helps reduce default in the payment of financial liabilities. Finally, Dakhli also provides a financial and consumer behaviour analysis service. Dakhli provides information to companies, financial and investment institutions, as well as individuals.

11) Bayanat Tech Platform

Launched in 2021G, this platform enables customers to enter the data of vehicles to be recalled and communicate with the vehicle owner through text messages via mobile phone numbers registered with Absher to notify them of the recall order and then update the recall data if the vehicle is repaired. It also provides the service of entering vehicle repair information directly through the Bayanat Tech application on mobile phones.

Bayanat Tech aims to protect the consumer and society from the consequences of vehicle manufacturing defects, facilitate and speed up the process of providing the recall decision to the relevant beneficiaries, and organize the flow of maintenance operations to the agencies' workshops. The customer's contact number can be included in a text message.

12) Naqel Product

Launched in 2006G, Naqel is a product providing technical linking services between data and service providers and delivering the service to beneficiaries through advanced and diversified technologies that meet the various technical needs of beneficiaries. Naqel relies on operating systems and a hosting environment that gives customers high reliability in the continuity of services and information transfer. It maintains the highest standards of quality and privacy of data and information in accordance with the legislation and laws issued by SDAIA and the National Cybersecurity Authority.

13) Kashef Product

A service that enables customers to directly verify a vehicle's data electronically by reviewing its plate with special cameras to identify the legal condition of the vehicle based on the data of government systems. Kashef displays information related to the vehicle to the security official at the establishment. This information includes the primary vehicle colour, the secondary vehicle colour, the manufacturer, and the type and model of the vehicle.

14) Tasreh Product

Launched in 2020G, this service enables a customer to issue and manage entry permits for its facilities. The permit is issued to an individual or an individual with a vehicle to enter a facility registered with Tasreh. It verifies the validity of the data, whether related to individuals or vehicles, according to the authorities' data and in accordance with the specified controls and conditions, starting from application submission to the issuance of a permit. The objectives and features of the service include the management of all permit operations, from permit creation and issuance to the registration of the permit holder's entry and exit. The service aims to provide verification processes through linking with government entities before issuing the permit, and eliminate paper and manual transactions that are subject to fraud and manipulation. Tasreh provides the following sub-services:

- **Building management service:** This service helps manage the identification processes of the entity's buildings submitted to Tasreh by the management of the entity's campus and all its affiliated buildings and the data of building officers. The service provides many characteristics through which specific conditions of the permit issuance are set. These characteristics include the identification and management of buildings, identification and data management of the building officer, identification of visiting times and daily capacity for visitors to the building, etc.
- **Permit issuance and management service:** This service provides several types of permits, including an individual permit, a permit for an individual with a vehicle, a permit for individuals with a vehicle, and individuals without a vehicle. In the process of permit issuance, the basic information of the individual and vehicle is verified by linking with government entities. The system also allows direct registration of a visitor through the receptionist or a permit application by the visitor himself, whether an individual or an establishment, by submitting the application directly to the supervisor for approval or according to the building controls.
- **Check-in and check-out service:** This service allows the entity to check in individuals and vehicles upon their arrival and exit to the security gate through the security supervisor at the reception or through a QR code reader.
- **Connection with customer systems:** This service enables the customer to connect the permit service with their own systems.
- **Facility GUI modification service:** This service allows the customer to modify the graphic interface of its facility. Through this service, the customer can add the facility's logo to be displayed in the facility's account and also modify the graphic interface of the facility's account in line with its identity.
- **Reports and statistics:** This service provides many reports on the operations carried out through the service and the data in the system to help the customer's senior management and decision makers make more accurate decisions.

15) Teras Platform

Launched in 2020G, this platform brings together all parties of a real estate transaction in one place. The platform is a specialized unified window for the offer, sale, and purchase of financeable residential real estate units. It displays financing offers provided by banks and financing companies. The features provided by Teras to individuals include diverse and comprehensive housing units to easily search for an appropriate housing unit, the provision of housing units evaluated and approved by banks, access to financing directly from banks and financing companies, and the ability to calculate financing through the financing calculator on the platform.

The features provided by Teras to real estate developers include the easy addition and display of housing units on the platform, the one-off evaluation of housing units, and marketing and sales promotion. Teras provides special features to financing agencies, including sales enhancement through quick access to individuals wishing to obtain financing and the easy display of financing options on the platform. All units are evaluated for a quick approval.

16) Efada Product

Launched in 2012G, the platform allows the verification of medical examination results. It records and transfers examination results from health centres approved by the Ministry of Health to the databases of a competent authority (such as the General Directorate of Passports and the General Directorate of Traffic and Security) electronically in an instant and secure manner, without the entity or the business owner having to approach the health centre. It also allows verifying medical licenses electronically, which helps eliminate forgery of such certificates and improves data quality. Efada has recently been made available to GCC nationals residing in the Kingdom. Efada records and transfers the results of medical examinations from health centres approved by the Ministry of Health to traffic databases, allowing them to issue driving licenses electronically, quickly and safely.

Efada's services include general medical reports, medical examination reports for expatriate workers, medical reports for new employment, examination reports for the issuance and renewal of driver's licenses, and examination reports for the renewal of Riyadh Municipality licenses. Among its features, Efada provides instant information, reduces the forgery of medical reports, and helps exclude persons with infectious diseases.

17) Tab Product

Launched in 2018G, it is an integrated technology that enables health practitioners to perform their work at the best quality and lowest cost. It also provides competitive values and healthcare services to patients without the traditional difficulties related to clinical care and the lack of equipped beds for patients (the elderly and patients with chronic diseases). This technology allows caregivers to remotely monitor the health status of their patients, without the need to visit hospitals and wait for long hours to receive treatment.

One of Tab's features is the follow-up and recording of vital indicators such as blood pressure, patient heart rate, temperature, etc. through smart devices connected to the main platform of Tab.

18) Wahed Platform (Elm for Health Informatics (HIS))

Launched in 2017G, this platform provides basic and secondary services with high technology to enhance all transactions conducted in health facilities on a daily basis, improve performance efficiency, and accelerate routine procedures (such as disease control systems, laboratory data, user and patient management and registration data, personnel affairs, necessary nursing and medical care, and a medical insurance and billing system), in line with the urgent need to develop a system that allows the exchange of patient health files in an easy and secure manner.

Wahed's key features are the consolidation of the patient's health files, follow-up on the patient's health and treatment history, documentation of all medical examinations and reports in the patient's file, provision of an easy-to-use system interface for users, operation and hosting of the system via the cloud environment for easy access anywhere, and enabling health facilities to measure actual performance. In addition, Wahed allows its customers to add and manage laboratories, pharmacies, and medicines affiliated with primary care centres. It also enables the management of health resources for primary care centres, such as registering patients, nursing and medical staff, providing different levels of authority, and monitoring procedures in order to maintain the patient privacy. Wahed also has flexible systems designed to fully suit the needs of the facility and the level of its readiness for digital transformation. It is also consistent with the majority of international systems for medical devices, such as critical data and radiology devices, to provide data to health practitioners.

19) Mostamer Platform

Launched in 2020G, this is a unified platform organizing continuous professional development activities and programs in cooperation with the Saudi Commission for Health Specialities to enhance work efficiency and link the relevant authorities in one platform. Its main objectives include the following:

- approve applications for accreditation of entities conducting continuing professional development activities;
- enable the Saudi Commission for Health Specialities to monitor the performance of the entities so that their educational programs will be in line with international best practices;
- enable the authorities to review the types of activities and their statistics and record the training attendance hours of health practitioners; and
- develop performance indicators to measure the quality of training activities and the performance quality of the Continuing Professional Development Department's staff in order to assist the Saudi Commission for Health Specialities with evaluation and development processes.

b) Products and Services Developed for the Group's Customers

The Company offers several ready-to-use solutions developed in several different forms according to requirements and needs and any related support work. These solutions were developed and operated in cooperation with a large number of various public and private entities with the aim of finding integrated solutions that cover the largest possible segment of beneficiaries by innovating sophisticated services that contribute to solving an existing problem or filling an existing service gap, through the automation of procedures and transactions. It also creates new and advanced services in innovative ways and markets them to target segments. These solutions are also characterized by easy access through direct subscription to one of the various packages or by designing and customizing some of them according to the customer's needs. The Group does not own the products and platforms described below as they are developed in cooperation with the relevant government entities (for more information, please see Section 12-6 "**Material Agreements**" of this Prospectus).

These products have different advertising names that facilitate marketing, and have been divided into seven main categories, including Absher, mobility products, vehicle products, business solution products, product integration products, security and safety products, and finally real estate and utility products.

Below is a list of the current services, some of which contain scalable sub-services:

1) Absher

Absher is considered the leading platform in providing electronic services in the Kingdom. In 2010G, Absher began its journey providing the services of the Ministry of Interior and its electronic sectors to the individual sector to begin the first steps of the Kingdom's direction towards digital transformation and humanisation. As the platform has currently become one of the main pillars for achieving the Kingdom's Vision 2030, it was followed by the launch of Absher - Business to serve the private sector and Absher - Government to serve other government entities.

Absher is operated under a NIC-led system. Under the supervision of the NIC, Elm developed and operated the platform to improve work procedures and automate the services provided by the Ministry of Interior to various segments of society, including citizens, residents, and visitors, in addition to the business and government sectors.

2) Mobility products

In a distinguished partnership with the regulatory and legislative authorities in transport and logistics, the Company developed packages of government services that provided unique and distinctive solutions that support the activity and the entities operating therein, and give the legislative and regulatory authorities the necessary tools to control business and monitor performance. These solutions are also based on regulating contractual processes and protecting the contracting parties (the service provider and customer), which provides an appropriate environment for investment and growth. The products include Wasl platform, Naql portal, Taajir portal, Hafelat portal, Bayan portal, Airport Security Permits portal, and Washaj platform.

3) Vehicle products

The vehicle sector and services related to vehicle work and operation is an important and vital sector contributing to the development and the economy. The Company has established partnerships with a number of relevant regulatory and legislative authorities and private entities to develop and operate service packages that facilitate transportation, trade, and car rental transactions. It also enables vehicle fleet owners to access the databases of the General Department of Traffic and conduct various traffic transactions. These platforms enable entities to inquire about vehicle data, transfer ownership, renew documents, identify the actual driver or the person authorised to drive cars inside and outside the Kingdom, and obtain ownership licenses and car plates on the spot. These services also include inquiring about vehicle insurance and paid traffic violations, and obtaining and renewing driving licenses. It provides another monitoring and regulatory service, such as Basher, which aims to develop field and administrative procedures for the General Department of Traffic. It also provides products that help follow-up vehicle fleets directly. The key products include Tamm platform, Basher platform, Masarat product, and Ijaz product.

4) Business solution products

These provide a number of digital portals and platforms, such as Muqeem, enabling entities to review the data of their resident employees and complete their passport transactions electronically and instantly at any time and from anywhere. The business solutions group also serves industrial investors through Senai. The Group also offers Khebra, a platform that allows experts to register their data as expert parties accredited by the Ministry of Justice.

5) Product integration

The Group serves more than one hundred and thirty (130) entities to identify individuals' identities online before public and private providers of critical services. Its importance is represented in improving the user experience by using a reliable and secure unified digital identifier. It also provides fingerprint matching services for the individual in question to ensure that the beneficiary of the service is the concerned person. The Group has the right to market these services to the private sector. The product integration group also provides information transfer services while maintaining the highest quality standards in accordance with the legislation issued by SDAIA and the National Cybersecurity Authority. The products include Unified Access, Basma, and Naqel.

6) Security and safety products

Digital platforms that provide the services of the General Directorate of Public Security, the General Directorate of Civil Defence, and the General Directorate of Border Guards. They enable beneficiaries to meet the requirements of these authorities online, which helps to expedite work procedures for the purpose of recruiting employees, complying with preventive measures, or obtaining the necessary permits to engage in work in ports and outlets. The products include Amn, Salamah, and Zawil platforms.

7) Real estate and utilities products

The Group provides services and platforms for the real estate sector and facility management, such as the Water Tank Permit Platform. It is a unified platform for managing all sewage tank rehabilitation processes, registering all companies providing sewage tanks, issuing and renewing their licenses, and following up and regulating environmental support services in sanitation including dewatering and water transfer and discharge. The platform ensures the environmental compliance of the tanks and maintains the overall appearance within cities.

4-4-2 Digital Custom Solution

In the IT industry, the Group provides leading services in accordance with the best practices and global experiences in technical solutions. It assists organizations and public and private sectors in identifying and analysing problems they face to find the most appropriate solution, which contributes to the development of their business and services. The Group provides integrated technological business solutions in many fields for various public and private entities at a specific scope and cost, along with a turnkey system. Specialization in providing integrated business solutions was divided by sector, which enables the Group to provide the best services for each sector and serve and benefit from all sectors. The main sectors to which the Group provides solutions include the Ministry of Interior and its departments, the Ministry of Human Resources and Social Development, the Ministry of Hajj and Umrah, the Ministry of Justice, the Ministry of Municipal and Rural Affairs and Housing, urban development centres, and the Ministry of Environment, Water and Agriculture. These solutions include designing the solution mechanism and work systems, implementing the solution and/or supervising its implementation, and providing the necessary support services, including:

- providing management and technical advice;
- developing digital portals and developing and operating systems;
- linking governmental and non-government entities; and
- equipping technical infrastructure.

a) Integrated Business Technologies

Through integrated technology solutions, the Group manages and analyses big data, develops systems according to customers' needs, and connects and integrates infrastructure, where ideas are integrated with implementation in professional harmony. The Group provides its technology solutions to its customers within the scope and cost agreed upon with the customer. The integrated business technologies includes the following:

- **Developing solutions according to the customer's need:** The Group designs and implements technological solutions according to the needs of the customer using upscale digital technology, while using the Group's experience spanning more than 30 years in major projects.
- **Smartphone applications:** The Group helps its customers keep pace with smartphone application solutions to expand their reach to their customers and enhance the operational efficiency of their companies, separately or within major projects.
- **Business intelligence applications:** Implementing business intelligence solutions, including the collection of business requirement information, data warehouse, section data warehouse design, business modelling and online analytical processing (OLAP), designing and implementing "**ETL**" (extract, transform, load data), report development, data testing and automation, and reference data and performance management.

b) Estihkak Engines

The technology solutions provided by the Group include Estihkak Engines, which are integrated systems to control the level of entitlement to services provided by governmental and private entities. It works to ensure that the various forms of support reach their actual beneficiaries and the conditions of support match their real situations. This system was designed to link an entity to various relevant authorities to provide it with data that helps it facilitate the delivery of its various services to beneficiaries, including services that enhance the speed of reliable identification of each applicant, and change the process of application acceptance. Estihkak includes the following services:

- employment support;
- education support;
- healthcare insurance;
- job training; and
- subsidized services (such as housing, electricity, etc.).

The system consists of an electronic portal, services, data linkage platform, and platform engines. Accordingly, it leads to obtaining basic data, facilitates work procedures, and enables linkage with multiple sources. In addition, there is a flexible Estihkak Engine, a technology infrastructure to process data that enables the management and modification of entitlement conditions. Technical support is also provided to manage customer service, objections, reporting features, and performance monitoring.

c) Platforms of the Digital Custom Solution

The platforms developed and marketed by the Digital Custom Solution to customers include:

- **Inspection Platform:** Developed by the Digital Custom Solution, this is a comprehensive platform that enables various sectors to carry out inspection work to easily organize and simplify inspections in line with international standards in a dynamic manner. This process includes forms, lists, management of inspection tasks, violations, payments, and other platform features.
- **Internet of Things (Things) Platform:** Developed by the Digital Custom Solution, this platform allows connecting "**things**" such as people, places, and devices to the Internet so that data can be sent and received in an easy way. This platform was developed based on open-source technologies that allow the efficient provision, management, and automation of connected devices for the purpose of managing devices and collecting and analysing data. One of the features of this platform is the ability to collect, graph, and analyse data, and manage devices and assets in a secure and efficient way.
- **Asas Platform:** An integrated and advanced cloud platform for enterprise resource planning with up-to-date technologies and best practices. It includes interconnected systems that operate as an integrated system with a common database serving all divisions and departments of government and private entities. The system deals with the entity's employees as part of the work cycle to enable entities to use and manage their informational, material, and human resources with great effectiveness and efficiency. The Group established the platform based on its understanding of the needs of governmental, semi-governmental, and private sector jobs within the framework of the human resource, financial, supply chain, and other systems. In addition, it maintains best practices to provide the necessary flexibility to carry out business. Asas provides multiple options for implementation, as follows:
  - a cloud system that is available as "Software as a Service";
  - a cloud system that is available as "Platform as a Service"; and
  - the possibility of hosting in the technology environment of the customer (On-premise Solution).

  One of the features of Asas is to enable an entity to focus on business development aspects, give it a comprehensive and unified insight of its business reality, and provide high flexibility in setting up the system according to user preferences. In addition, Asas allows smooth performance of procedures and operations with a simple display for workflow tracking and a design compatible with smart devices. It also provides ready-made plans to deal with emergency situations, a single application technology, rapid product activation, and easy linking with other systems and services.

4-4-3 Professional Services

The Group's services include professional services, through which the nature of an existing problem in an entity is understood, its dimensions are discovered, the work stages used including their advantages and disadvantages are studied, future challenges are perceived, and obstacles that may impede the application of new work methods are identified. This is to develop a clear vision of the business plan and its stages and parts and define the goals to be achieved. The Group's objective is to develop the overall performance of entities and improve customer satisfaction, using experts and consultants with long experience in many disciplines. This is achieved by providing advisory services and data analysis consulting services.

a) Consultancy services

The Group provides integrated consulting services that cover an entity's journey from developing strategic plans to implementing such plans through programs and projects. These services are provided by a consulting panel with long experience in many digital, technological, administrative, and operational fields. Through its work in this field, the Group strives to understand the nature of the current situation of the entity and discover its dimensions, study the work methods used including their advantages and disadvantages, perceive future challenges, and identify obstacles that may impede the application of new work methods. This is to develop a clear vision of the business plan and its stages and parts and define the objectives to be achieved. Also at this stage, international best practices in the relevant field are studied for the purposes of benchmarking and devising the best practical ideas and administrative and technical methods, and to identify the internationally recognized standards in various business sectors. In this field, the Group's main services include:

- **Strategic and Management Consulting and Transformation Programs**

These consulting services are designed to work together with an entity and its teams to define the desired transformation for the entity and develop the roadmap for such transformation. This is achieved by studying the current situation, identifying positive and negative points, and identifying available resources in order to utilise the available positive factors, provide the appropriate conditions for their development, avoid risks, and explore the entity's ecosystem through proven and innovative methodologies and tools that help to shape the future vision the entity aspires to achieve. All these works are achieved in accordance with the best practices in the entity's business and the lessons learned from comparative studies. In this area, the Group's services include:

- **Strategy design:** By defining the values that the entity and its employees must respect and follow, the entity's vision, mission, strategic objectives that reflect the focus pathways in the business during the period of the strategic plan, indicators to measure its performance, and a roadmap to achieve these objectives by defining strategic initiatives and programs and their priorities.
- **Design of operating models:** These are developed to be in harmony with the entity's strategy through the development of its customer's journey. This is to focus on its customer's needs and aspirations after identifying them from the different categories of customers themselves, and defining the entity's internal and external services, procedures, and organizational structures. They bring together a clear distribution of roles and the necessary flexibility, human resources and clear job descriptions, and internal and external governance.
- **Process re-engineering:** Processes are components of operating models. The Group aims to develop processes that are compatible with the entity's strategy. It focuses on processes that add value for the customer and the entity's objectives. This is to achieve the best balance between these two matters and lead to the implementation of business at a high speed. This leads to improving the quality of the services and products it provides to suit the needs of its customers and their desires and reducing costs by eliminating unnecessary operations. It should be noted that process re-engineering enables the entity to digitise and automate them.
- **Specialised offices (institutional excellence offices):** These offices are established to bring together several teams from different disciplines in one place in order to lead, achieve best practices, research, and support the entity to achieve the highest and best value and performance by designing and adopting frameworks and standards within the entity and monitoring their implementation. This is to manage services and products to achieve the aspirations of the customer as well as the ambitions of the entity. Depending on the entity's need, the Group can establish and operate offices that focus on certain areas of organizational excellence.

- **Strategy implementation**

The Group seeks to enable entities to implement their strategies according to a business mechanism. This mechanism is based on linking their plans with the strategic objectives of the Kingdom's Vision 2030, analysing and giving preference to their initiatives at the level of programs and projects. It should also identify the factors that contribute to the success of the planned strategy, and solve the obstacles facing entities in their journey to implement these strategies. The Group provides its services in this field to the Vision 2030 realisation offices and strategy support offices in entities.

- **Organizational transformation and change management consulting**

The Group's consulting cadres work with the employees of entities to achieve the transformation to the desired situation based on a successful methodology that serves the entity's transformation to a future situation in line with its strategies and aspirations towards growth and development. The Group's Change Department also prepares the entity's employees to accept new processes, regulations, values, and organizational structures. In this area, the Group's services include:

- **PMO establishment/transformation management/program management:** This service is based on the build-operate-transfer (BOT) principle by evaluating the current situation of the entity for project and program management practices, building a future vision for the desired situation, and then developing the methodology and business model, relationship governance, and internal and external information sharing mechanism. It also designs the office's administrative structure as well as the forms and templates of the relevant documents. Through this service, the Group also publishes the technology system that enables the entity's employees to carry out their daily tasks, issue reports, review control panels, and measure performance.
- **VRO establishment/strategy management:** This service is based on the build-operate-transfer (BOT) principle by evaluating the current situation of the entity to practice, monitor, and align the strategy with the Kingdom's Vision 2030, manage the initiatives of the Vision, build a future vision for the desired situation, and then develop the methodology and business model, relationship governance, and internal and external information sharing mechanism. It also designs the office's administrative structure as well as the forms and templates of the relevant documents. In addition, it publishes the technology system that enables the entity's employees to carry out their daily tasks, issue reports, review control panels, and measure performance against the entity's vision indicators.
- **Operation support and knowledge transfer:** This service is based on the BOT principle by deploying a qualified advisory team on site. This team works with the entity's employees to carry out daily operational activities and tasks related to the project follow-up and management offices, program management, transformation management, vision realization office,

strategy management, and change management. In addition, it conducts a periodic examination aimed at assessing the level of maturity and the need for continuous improvement in line with the international best practices in this field (Axelos P3M3®). The Group also seeks to ensure knowledge transfer and continuous on-the-job training during the operating period, which often lasts from one to three years. This is to enable the entity to build capabilities and receive the work upon completion.

- **Change management:** By defining the transformation objective for the entity, encouraging it to adopt a culture of change by following the best international practices in this field (Prosci ADKAR®, AXELOS® OCM), holding awareness sessions and workshops, and transferring knowledge to the change leaders to enable the entity's employees or beneficiaries to adopt and apply the change in the ordinary course of business.

- **Digitisation consulting services**

The Group develops digital transformation and information technology strategies for entities and institutions. To this end, the Group seeks the best digital and global technology practices in the field subject to research and study. This is to compare with and devise the best innovative and practical ideas to digitally develop overall performance and improve customer satisfaction through digital plans achieving digital leadership in the relevant field.

The Group aims to develop a digital and technology transformation strategy for entities and institutions and provide them with reference designs for the necessary digital and technology solutions. This contributes to raising the quality of performance and electronic services by enabling and adopting the relevant emerging technologies.

Strategic digital transformation plans will enable entities to benefit from diverse digital capabilities and emerging technologies, such as AI, IoT, blockchain, big data, and cloud computing. This will positively reflect on the development of innovative digital business models that digitally enable the entity's business and the related segment, and enhance its leading position in its field. The Group also provides services of defining the characteristics of technological systems that the entity needs to digitise its operating models. Its services include:

- developing strategies for digital transformation and information technology;
- developing data management and governance strategies and supporting data office operation implementation;
- establishing and operating corporate structure offices and supporting the operation of the corporate structure office;
- providing IT governance consulting;
- analysing and evaluating digitalisation needs and the level of digital maturity at organisations; and
- studying and designing a reference architecture for digital platforms.

b) Professional services in data analysis and artificial intelligence (AI)

The Group offers its professional services as a strategic asset that helps its customers to efficiently and effectively achieve the desired objectives and find and discover new targets based on data that leads to value-added products and services worth investing in. The Group's services relating to professional services in data analysis and artificial intelligence include:

- **Sensing and foresight:** The Group provides services that enable entities to be proactive in solving problems before they occur. This greatly helps entities' decision makers and crisis management departments to minimise the difficulties of measuring problems and identifying a mechanism to measure them when they occur. The Group provides the following services in the context of sensing and foresight:
  - building interactive dashboards to support decision makers;
  - designing key performance indicators (KPIs);
  - discovering patterns;
  - conducting cross comparison;
  - benchmarking;
  - discovering hidden relationships;
  - producing automated reports;
  - deducing business with data-backed insights;
  - visualising data across time and space by means of animations; and
  - providing management with multi-layered views (upside/downside).

- **Advanced analytics:** The Group provides analyses that help decision makers predict the future, find thoughtful predictions, and answer complex future questions through the application of data mining and AI technologies. Such advanced analytics leads, for example, to exploring the main drivers or causes behind certain phenomena, or choosing the best way to deal with a problem. The Group's advanced analytics include:
  - business analysis;
  - spending analysis;
  - social platform analysis;
  - analysis of customer categories after they are segmented;
  - demographic analysis;
  - economic analysis;
  - risk assessment and management;
  - predictive modelling and analytics;
  - fraud detection;
  - identification of product features and pricing;
  - design and testing of different policies for remedy levels; and
  - providing the management with a comprehensive view of market opportunities and challenges.
- **Emtiaz Big Data Solutions Platform:** To build a system for managing and analysing big data, the entity's decision maker should answer several questions related to different technologies for obtaining, storing, and processing data and technologies for analysing or presenting results. The challenge lies in the fact that choosing the best technologies in any of those stages is associated with the objectives and rationales of the entity itself, such as the technological background of the employees, and overlaps or even contradicts with the optimal technologies at other stages. Accordingly, in the Group's Emtiaz Big Data Solutions Platform, the various stages of building a system to manage and analyse big data are supported, from communicating with various sources of data, through providing data processing and analysis technologies, to building dashboards, reporting applications, and real-time notifications. The Emtiaz Big Data Solutions Platform also provides a collaborative environment, which enables the entity's work groups to process and analyse data or build machine learning models and data applications through low code development technologies and microservices. They then share this with other teams and stakeholders according to a tight authorization and authentication system related to data sharing.

4-4-4 Business Process Outsourcing

The Group seeks, through the Business Process Outsourcing segment, to enhance its competitive advantage in terms of both operation and service delivery in the specialization areas through the management and full operation or partial support of services in specific areas, and a gradual shift to digital transformation. The Group provides its services in this sector with the concept of the private sector, which helps the beneficiary government entity achieve electronic transformation successfully according to the best international specifications and standards in all fields. According to the Group's experience in government sectors in the process of transformation to e-government, the Group found that to achieve this transformation, public entities need a scope of services beyond the scope of basic technology services. There are many difficulties in the operational environment that must be overcome in preparation for electronic transformation. The Group provides its solutions in several areas, as follows:

a) Inspection and monitoring

Inspection and monitoring services are intended to increase efficiency and quality through operational and digital solutions. They aim to transform services from regulatory practices to economic value-added services. Inspection and monitoring services include:

- **Field inspection services, fleet management, and financial management:** building, managing, and operating governmental inspection services to ensure high levels of quality output and increase compliance. Examples include Ejada program, which conducts control and inspection activities on behalf of the Ministry of Municipal and Rural Affairs and Housing, which aims to increase the compliance of businesses;
- **Licensing:** managing and issuing licenses on behalf of a government entity through an operating model that can be converted into a digital model in the medium term. Examples include the printing centre that supports government entities in printing documents and business cards;

- **Crowd management:** providing technological or technical solutions to manage human crowds and control their pathways in open areas and spaces. Examples include providing technological crowd management solutions at the Janadriyah Festival; and

- **Questionnaire and monitoring:** providing operational and technological solutions to collect and monitor complex data to provide qualitative information. Examples include the readiness of holy sites, where it worked with the Ministry of Hajj and Umrah to ensure the readiness of the holy sites and control all facilities during the 2019G Hajj season.

b) Business Centres

Through the "**Business Centres**" system, the Group provides optimal solutions for service entities that deal directly with the public when providing services. Through the package of services, the Group seeks to achieve high efficiency in all stations of the customer's journey. The Group's Business Centre services include:

- **Service centres:** providing operational solutions that suit the needs of the service provider by developing and operating central service channels to ensure excellence and quality in services provided. Operational solutions are offered as a business venture with the government or on an income-sharing basis.

- **Mobile customer services:** transforming services with central channels into mobile services supported by a digital operating model that facilitates access by beneficiaries according to the place and time determined by the beneficiary.

- **Customer journey:** studying the complex and intertwined customer journey in preparation for its transformation, through an advanced operating model supported by various digital elements, into an easy, uncomplicated experience enriched with value-added services for the customer.

c) Operation Outsourcing

The Group provides a set of business support services in specific specialized areas, which effectively achieves the required operational objectives without the total operation of services. The Group's operation outsourcing services include:

- **Communication channels:** managing and running the operations of various communication channels with customers, and providing advanced solutions that support communication with the beneficiary such as visual communication channels;

- **Operational Business Process Outsourcing:** assigning operational work to governmental and private entities including:

  - Meqyas: a service that includes a set of quality standards that are provided to entities that provide direct services to their customers. It is applied through periodic visits to the beneficiary entity to ensure that the standards of Meqyas are applied. Meqyas aims to provide reports, notes, and future improvement plans in a manner that suits the beneficiary and enables it to improve its services.

  - Mehwar: a service that allows users to record and document the operational processes of government outsourcing sectors, to be followed up and processed with the relevant departments on time. The system aims to increase efficiency and productivity, reduce the time taken to implement and submit applications, ensure adherence to quality standards, and integrate operations and sector management. Through the service, a user can be informed of the total number of applications submitted and follow up on their status and processing period. This improves the quality and accuracy of operational processes.

  - Digitisation and Archiving Service: a service that is intended to convert paper documents into electronic documents, store electronic documents, manage and store paper documents, process and restore damaged documents, safely destroy documents, and provide mobile archiving. The service is provided to assist entities in electronic transformation while preserving their entire documentary history.

  - Printing Service: a service for printing official and sensitive documents through an integrated technological and technical system through high quality procedures and under real-time security monitoring as the Group prints documents and other instruments. The Group also provides a delivery service to the end user with multiple options, which serves the parties it deals with and achieves the satisfaction of end users.

- **Digital platform management and operation:** Managing the quality of digital platforms, checking and auditing them to achieve service continuity. Examples include Ithra, electronic learning and training platform that is provided through the cloud science environment to efficiently manage, follow up, and evaluate the training process and easily deliver training programs by automating all activities related to training and continuing education.

- **Modern laboratories:** Providing the best expertise in laboratories to provide design, testing and measurement services for products based on modern technologies, including, but not limited to, food and soil laboratories that serve the municipalities.

d) Support with Modern Technology

The Group offers this system to employ modern technologies that support business in various fields to enable beneficiaries to achieve qualitative results to solve complex problems by investing in advanced technology. The support services that the Group provides to its customers include smart devices that are supplied and installed to help provide qualitative solutions that achieve value and benefit for the beneficiary and are used in the implementation of outsourcing operational work. Examples include the e-bracelet service.

4-4-5 Nationalization and Upskilling

The Group, through the Nationalization and Upskilling Department, qualifies national cadres to the highest international standards, whether they are job seekers or on-the-job employees, through tight recruitment processes to fill available vacancies in the labour market. The Group rehabilitates individuals' skills and abilities, links them to their technical and functional competencies, and achieves professional sustainability. The Group performs Nationalization and Upskilling work through two main models, namely upgrading skills and rehabilitating job seekers' skills through several stages, as follows:

- **Labour market study:** This aims to analyse the current situation in the market by studying labour market supply and demand from job seekers and graduates. The Group then determines the future direction by defining the sectors, regions, and target segments and preparing a delivery plan. Finally, the Group submits recommendations and periodic reports.
- **Operation of recruitment processes:** The Group connects employers and job seekers through the Group's employment platform. Through this platform, the Group posts vacancies, searches for candidates, and sends or receives employment applications. A job seeker also registers on the employment platform, adds skills and experiences and browses job opportunities, in addition to submitting or receiving job applications. The recruitment approach begins with the process of nominating and preparing for job interviews, managing the recruitment cycle and the incentive system for job seekers, monitoring the recruitment and sustainability cycle, and conducting the periodic evaluation and follow-up process.
- **Design, preparation and implementation of rehabilitation and training programs:** These programs include six (6) phases, as follows:
  - Analysis phase: The Group reviews the objectives, responsibilities and strategy of the beneficiary entity or employers, and reviews its organizational structure, career paths, and various job descriptions. The Group also reviews the current training programs, the mechanism to measure the impact of training, and the members of the training staff in order to analyse training needs and develop the appropriate competency framework.
  - Design phase: The Group designs future training programs and ensures that the design of training programs is applied with the employer's strategy and operational or operating model. The Group also develops training tracks for career paths and evaluates trainers' CVs.
  - Development phase: The Group develops practical training content and electronic training content.
  - Assessment and Personal Development Centre: the Group provides job analysis and self-assessment services using various electronic tests, personal interviews and virtual scenarios. The Group then presents the results and proposed development plans.
  - Implementation phase: The Group develops work processes for the implementation of training programs and arranges the logistical elements of training such as the place of training and the scientific material.
  - Evaluation phase: The Group evaluates the training and measures the impact, which includes: Measuring the impression of trainees, measuring the extent to which trainees have acquired science, knowledge, and behavioural skills, measuring the ability of trainees to apply science, knowledge, and behavioural skills in the work environment, measuring the extent to which the employer benefits from training programs, and measuring the return on investment or the cost of training compared to the employer's benefit from training programs.

Past projects in which the Group provided Nationalization and Upskilling management services include the operation of Taqat centres, an initiative launched by the Human Resources Development Fund to employ Saudis, train them in basic job skills, guide them before, during and after the recruitment process, and help them keep their jobs.

4-5 Investment

Since its inception, the Company has invested in the knowledge industry and its localisation. It provided the first integrated electronic service in the Kingdom, and achieved many successes in contributing to the transformation to e-government. From this standpoint, the investment segment was created in the Company to enter into partnerships and investments with entities that share the same orientation with the Group and integrate with them inside and outside the Kingdom.

4-5-1 Acquisitions Department

The Company's Acquisitions Department focuses on acquiring strategic interests in existing companies at different stages for financial objectives such as revenue development (inorganic growth) or strategic objectives such as linking and integration with the Company's systems and products, and strategic cooperation with them or acquiring competencies and capabilities to cover the Company's needs, if any, for its current business. The Acquisition Department currently focuses on the Company's strategic segments. The Company has made the following acquisitions and partnerships:

- **Tabadul:** Tabadul is a Saudi closed joint stock company established in the Kingdom under Commercial Registration No. 1010274503 dated 14/10/1430H (corresponding to 10/03/2009G). Tabadul's share capital is fifty million Saudi Riyals (SAR 50,000,000) divided into five million (5,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. Tabadul is wholly owned by the Company. Tabadul provides technological solutions to improve efficiency, increase transparency, and enhance the operational performance of supply chains. Its main activity is the integrated import and export system, by providing technology, logistics, and financial solutions.

- **Smart National Solutions for Information Technology:** Smart National Solutions for Information Technology is a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010463892 dated 28/11/1437H (corresponding to 31/08/2016G). The share capital of Smart National Solutions for Information Technology is two hundred and four thousand Saudi Riyals (SAR 204,000) divided into two hundred and four thousand (204,000) ordinary shares with a nominal value of one Saudi riyal (SAR 1) per share, of which is 76% is owned by Abdul Majeed Ibrahim Abdullah Al-Mousa and the remaining 24% is owned by the Company. Smart National Solutions for Information Technology specializes in providing techonlogical solutions related to connectivity services for resource systems provided by SAP, consulting and business integration services for public and private sectors, as well as providing data-related services and business intelligence control panels for companies.

- **Sahl Al Madar Trading Company:** Sahl Al Madar Trading Company is a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010586820 dated 07/11/1440H (corresponding to 20/07/2019G). The share capital of Sahl Al Madar Trading Company is two hundred thousand Saudi Riyals (SAR 200,000) divided into two hundred (200) ordinary shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share, of which 70% is owned by Obeikan Digital Solutions and 30% is owned by Future Resources. It is a platform that provides logistics services as an integrated solution for the supply chain management. It connects local companies and freight service providers. This application allows the scheduling, management, and tracking of shipments and the electronic documentation of their effective and safe delivery.

- **Al-Dal Real Estate Services Company:** Al-Dal Real Estate Services Company, a limited liability company incorporated and existing in the Kingdom and registered under Commercial Registration No. 1010680496 dated 29/05/1442H (corresponding to 13/01/2021G). The share capital of Al-Dal Real Estate Services Company is five hundred thousand Saudi Riyals (SAR 500,000) divided into five thousand (5,000) ordinary shares with a nominal value of one hundred Saudi Riyals (SAR 100) per share, of which 70% is owned by Itqan Real Estate Company and 30% is owned by Future Resources. The company is specialised in developing reliable and secure digital solutions for the real estate market in the Kingdom. It offers various real estate products with a unique combination of digital innovation and real estate leadership.

4-5-2 Venture Investment Department

The Company contributes to venture investment with entrepreneurs, owners of innovative pioneering companies, by supporting entrepreneurs in developing their companies and expanding their innovations through financial investment and strengthening strategic aspects, according to the type and nature of the entrepreneurial group and the entrepreneur. This is achieved by capital participation and support for technological and practical expertise.

One of the benefits that the Group enjoys and entrepreneurs can enjoy is access to the public sector. The Group has long experience in dealing with the public sector, which makes it easier for entrepreneurs to understand the mechanism of dealing with this sector and its needs. In addition, entrepreneurs will understand how to market their products and communicate with a large number of the Group's professional business developers. The Group's advisors will help entrepreneurs prepare their presentations, understand market trends, design business models, estimate financial statements, and conduct negotiations. In addition, entrepreneurs will be able to meet with technical advisors to obtain guidance and direction on demand. The Group's technology segment employs more than five hundred (500) professional employees with experience in all technology fields. The Group is widely recognised in the technology sectors and major projects. This will enhance the fruits of the entrepreneurs' partnership with the Group, and give them more spaces to market their companies and products. The Group currently focuses on several sectors including: transportation, finance, health, information security, and real estate globally, with a focus on the Middle East. Each investment opportunity includes several phases during the evaluation process to cover all aspects of the investment opportunity, such as evaluating the founding team, the target market, the business model, and the performance of the Group in order to increase the chances of its success in achieving the expected strategic and financial returns. The Group has invested in several companies outside the Kingdom. Following is a description of the companies outside the Kingdom in which the Group invests as at the date of this Prospectus:

- **Unifonic:** Unifonic is a company limited by shares, incorporated in the British Virgin Islands and registered under Commercial Registration No. 1887019 dated 04/11/1436H (corresponding to 19/08/2015G). In accordance with its Bylaws, Unifonic is authorized to issue a maximum of three hundred and eighty-eight million, five hundred thousand (388,500,000) shares, divided into seven (7) classes, as follows: (i) twenty-five million (25,000,000) preferred shares of Series A with a nominal value of USD 0.01 per share; (ii) one hundred and five million (105,000,000) ordinary shares of Class A with a nominal value of USD 0.01 per share; (iii) thirty million (30,000,000) ordinary shares of Class B with a nominal value of USD 0.01 per share; (iv) one hundred and forty-seven million and five hundred thousand (147,500,000) ordinary shares with a value of USD 0.01 per share; (v) thirty-five million (35,000,000) deferred shares with a nominal value of USD 0.01 per share; (vi) thirty-five million (35,000,000) preferred shares of Series B1 with a nominal value of USD 0.01 per share, and (vii) eleven million (11,000,000) preferred shares of Series B2 with a nominal value of USD 0.01 per share. Unifonic has issued a total of one hundred twenty-two million, four hundred and ninety-nine thousand, nine hundred and sixty-two (122,499,962) shares, and the Company, through Future Resources Company, owns one million, five hundred and sixty-two thousand, five hundred (1,562,500) shares of Series A, which represents 1.28% of the total shares of Unifonic. Unifonic specializes in cloud communication, and works on adopting modern technologies to develop strong communications through a secure programming interface to ensure reliable communication channels between companies and customers.
- **Syarah:** Syarah Company Limited is a limited liability company incorporated in the British Virgin Islands and registered under Commercial Registration No. 1902271 dated 14/03/1436H (corresponding to 05/01/2015G). In accordance with its bylaws, Syarah is authorized to issue a maximum of five hundred thousand (500,000) shares with no nominal value, divided into three (3) classes as follows: (i) forty-three thousand, two hundred sixty-two (43,262) ordinary shares; (ii) forty thousand five hundred and eighteen (40,518) preferred shares of Series A; (iii) thirteen thousand, five hundred eighty-three (13,583) preferred shares of Series B1, and (iv) thirty-eight thousand, sixty-six (38,066) preferred shares of Series B2. In addition, eight thousand seventeen (8,017) ordinary shares were allotted to employees. Through Future Resources, the Company owns nine thousand, three hundred thirty-one and twelve (9,331.12) preferred shares of Series A, representing 8.236% of the total shares of Syarah Company Limited. The Company owns twelve thousand, five hundred twenty-five (12,525) preferred shares of Series B2, representing 6.974% of the total shares of Syarah Company Limited. Syarah operates a website that provides the latest price quotations for used and new cars, which are updated on a daily basis. It also facilitates communication with relevant persons without an intermediary.
- **Zid:** Zid Holding Limited is a limited liability company incorporated and existing in Abu Dhabi Global Market and registered under Commercial Registration No. 1902271 dated 12/01/1440H (corresponding to 22/09/2018G). In accordance with the Partners' Agreement, Zid Holding Limited is authorized to issue a maximum of fourteen thousand, one hundred and thirty-seven (14,137) shares with a nominal value of USD 0.0001. Through Future Resources, the Company owns one thousand, seven hundred sixty-five (1,765) preferred shares of Series A-1 and two hundred (200) preferred shares of Series A-2 in Zid Holding Limited, representing 14.28% of the total shares of Zid Holding Limited. Zid aims to enable the retail segment to enter the electronic retail community in an easy and professional way, through ready-made forms linked to all the necessary systems including payment, delivery, technical support, etc.
- **Bezaat:** Bezaat Holding Limited is a limited liability company incorporated in the Cayman Islands on 08/08/1433H (corresponding to 28/06/2012G). In accordance with its bylaws, Bezaat Holding Limited is authorized to issue a maximum of one million (1,000,000) shares with a nominal value of USD 0.01 per share. The Company owns fourteen thousand, eight hundred seventy-eight (14,878) preferred shares of Series B in Bezaat Holding Limited, representing 1.48% of the total shares of Bezaat Holding Limited. Bezaat provides health insurance services and human resource services programs for small businesses.
- **Alwans Technology Corp. (Foodics):** Alwans Technology Corp. is a limited liability company incorporated in the British Virgin Islands and registered under Commercial Registration No. 1941071 dated 15/08/1442H (corresponding to 28/03/2021G). In accordance with its bylaws, Alwans Technology Corp. is authorized to issue a maximum of ten million (10,000,000) shares with a nominal value of USD 0.01 per share, divided into five (5) classes, as follows: (i) ordinary shares; (ii) ordinary shares of Series B; (iii) preferred shares of Series A1; (iv) preferred shares of Series B1, and (v) preferred shares of Series B2. Through Future Resources, the Company owns one hundred and thirty-four thousand, eight hundred twenty-four (134,824) preferred shares of Series B1 in Alwans Technology Corp., which represents 1.34% of the total shares of Alwans Technology Corp. Alwans Technology Corp. is a start-up specialized in enriching technology content.
- **HealthifyMe:** HealthifyMe is a limited liability company incorporated in the State of Singapore and registered under Commercial Registration No. R201435901 dated 10/02/1436H (corresponding to 02/12/2014G). In accordance with the Shareholders Agreement, HealthifyMe is authorized to issue a maximum of nine million, five hundred forty thousand, one hundred fifty-six (9,540,156) shares, divided into nine (9) classes, as follows: (i) one million, seven hundred and fifty-two thousand, nine hundred twenty-six (1,752,926) ordinary shares; (ii) two hundred and forty-four thousand, five hundred and forty-two (244,542) convertible preferred shares of Series A; (iii) six hundred sixty-five thousand, thirty-eight

(665,038) convertible preferred shares of Series A1; (iv) one million, one hundred thirty-nine thousand, eight hundred sixty-four (1,139,864) convertible preferred shares of Series B; (v) one million, four hundred thirty-four thousand, two hundred sixty-six (1,434,266) convertible preferred shares of Series B2; (vi) four hundred seventy-two thousand, four hundred ninety-seven (472,497) convertible preferred shares of Series B3; (vii) five hundred eighty-five thousand, nine hundred seven (585,907) convertible preferred shares of Series B4; (viii) thirty-two thousand and seventy (32,070) convertible preferred shares of Series C1; and (ix) two million, two hundred seventy-seven thousand, nine hundred and five (2,277,905) convertible preferred shares of Series C. Through Future Resources, the Company owns eighty-nine thousand, two hundred and sixty-two (89,262) convertible preferred shares of Series B4 CCP in HealthifyMe, representing 0.98% of the total shares of HealthifyMe. HealthifyMe owns an online health and fitness app.

- **Curative Care:** Curative Care is a limited liability company incorporated in the Cayman Islands on 23/11/1441H (corresponding to 14/07/2020G). In accordance with its bylaws, Curative Care is authorized to issue a maximum of fifty thousand (50,000) ordinary shares with a nominal value of USD 0.001 per share. Through Future Resources, the Company owns one hundred and seventy-one thousand, two hundred and thirty-two (171,232) preferred shares of Series A, representing 0.34% of the total shares of Curative Care. Curative Care operates a telehealth platform that provides consultations, diagnoses, prescriptions, and health treatment sessions through instant messaging and live video conferencing in the Kingdom of Bahrain.

4-6 Research and Innovation

4-6-1 Innovation Department

To achieve continuous development and leadership in providing secure digital business services, the Group seeks to build a creative environment that contributes to developing innovative products and services and creative solutions to challenges through innovation-promoting programs. These programs target three (3) main categories: The Group's employees, the community, and universities. Following are selected programs offered by the Group to encourage innovation within the Group:

- **Creativity and Innovation Day:** the Group annually celebrates Creativity and Innovation Day. In this day, the Group reviews its achievements in this field, presents its up-to-date technologies, and holds competitions to stimulate the spirit of research and innovation in the Group's employees.
- **Creativity Forum:** in this Forum, the Group provides a communicative environment among the Group's employees to present and discuss their creative ideas before other employees and stimulate creativity and innovation.
- **Innovation Pioneers:** a unique five-month practical training program for the Group's employees, that is intended to develop innovators and provide them with the thought, tools, and confidence to be ambassadors for change within the Group and enhance the Group through creativity and innovation.
- **Idea Bank:** to encourage employees to share their creative ideas and then analyse and develop them, and reward them for their creativity and innovation.
- **14 kHz:** a unique program that aims to quickly scan new ideas by analysing and prototyping them and then testing them with potential users. The Group's employees go to users where they exist, whether in a hospital, market, street, or anywhere to pilot a prototype with them and obtain their impressions of the proposed solution.
- **Creative Problem Solutions:** the Group considers problems and challenges as opportunities to facilitate life, put a smile on faces, and increase income. Through global innovation methodologies, the Group develops creative solutions to problems facing its customers in record time.
- **Workshop Facilitation:** the Group has a dedicated team with a high level of innovation and workshop facilitation. Through workshops and brainstorming workshops, the Group helps its customers reach certain decisions, agree on a specific matter, or generate creative ideas within a short period and in a unique environment of entertainment and professionalism.
- **Innovation Culture:** innovation culture is one of the most important pillars of innovation in the Group. Therefore, the Group constantly seeks to create a unique environment and culture that stimulates innovation in all aspects of its business. Throughout the year, activities are constantly conducted to help all employees adopt an innovation mind-set and use its tools on an on-going basis.
- **Intellectual Property Accelerator:** patents are critical for the Group and have a major role in maximising the Group's value. Therefore, the Group developed an intellectual property accelerator to help its employees register patents in their name to be owned by the Group. Through a one-month process, an employee who has a creative idea can learn more about patents and conduct the necessary research and the required modifications to the idea. As such, the idea is ultimately registered as a patent.

The Group seeks to encourage innovation outside the Group to include society and universities. Selected programmes are stated below:

- **Technology Training Camps:** this program is intended to solve business and technology challenges related to new strategies in the Group and find innovative outputs with added value to the market.
- **Idea Incubators:** this program supports academic ideas and ways to transform them into realistic services and products by providing financial and advisory services.
- **Innovation Centre:** this program provides an attractive environment for academic competencies that includes all the services and laboratories that make it an appropriate place for research related to IoT, robotics, 3D printing, augmented reality, virtual reality, and drones. The Innovation Centre is fully prepared for student visits.
- **Hackathon:** The Group holds an annual 'SciHack' competition to organise professional competitions that encourage innovation, enhance the efficiency of male and female students in the Kingdom's universities in computer majors, increase their expertise, highlight their skills, and stimulate their spirit of innovation by presenting technological problems and inviting participants to solve them.
- **Joint Research Agreement Program:** this program is intended to provide financing to universities for many types of research. This includes considering problems, challenges, and opportunities for new and specialized technology ideas.
- **Cooperative Training this program is intended to train male and female students in majors related to the business and technology industry in creativity management. This requires them to provide solutions to challenges presented to them before they enter the training program. After they are admitted, they address real challenges facing the Group to recognise the importance of training and the value that they will add to themselves and their community.**

4-6-2 Research Department

The Group's Research Department has attained a leading position in research and innovation by applying up-to-date emerging technologies and innovative methods to improve the quality of life in various fields and disciplines, such as healthcare, biometric-based security, education, transportation, and e-government services. The Group has a diverse team consisting of a combination of data science specialists, AI researchers, software engineers, and business developers with a track record of achievements and many years of experience developing innovative solutions designed to address the most difficult problems and challenges in various sectors in the Kingdom. In addition to developing diverse solutions for its customers, the Group encourages its researchers to explore new horizons and innovative ways of thinking, transforming them into realistic solutions, and then offering them on the market for long-term impact.

- **Approach to Business Innovation and Creativity**

In the Group's Research Department, the nature of the business is in line with the Group's values of innovation and creativity. Current or expected business is carried out by developing and using innovative applied research based on these values. The Group always seeks to develop revolutionary products and services beyond the traditional concept and in line with the value of innovation that comes at the heart of the Group's direction and strategy. The Group is also keen to create innovative solutions and register them as intellectual property to serve its objectives.

The Group's research team solves business problems by adopting cutting-edge research concepts and developing new products and solutions. The main objectives of the Department are as follows:

- building knowledge and developing products that fulfil current and future business needs;
- improving existing products, addressing product deficiencies, and providing a better customer experience; and
- developing digital platforms that can be reused for a variety of different purposes that serve the business.

In addition, the Group's research team provides advisory services, including:

- providing consultations to work groups and administrative staff to conduct more accurate and in-depth studies on the research subject, along with providing a practical and actionable report for each study;
- supporting work groups in technology matters, related products, and available opportunities; and
- developing studies to use modern technology to reduce costs and increase the growth of the Group's existing services.

The main outcomes of the Group's Research Department are as follows:

- providing effective solutions to complex technology problems;
- Developing PoC prototypes using up-to-date revolutionary technologies (such as AI, blockchain, Computer Vision, Embedded Systems Solutions, and other cutting-edge technologies); and

- providing products that provide real value to customers by applying up-to-date technological tools.

The Group's research includes a wide variety of areas including, but not limited to, vehicle data analysis, traffic control and monitoring, identity verification, smart inspection, security and safety, Hajj and Umrah, health, real estate, education, finance, and commerce. The key subjects of research include:

- **Computer Vision**

Computer vision has emerged as one of the most active topics of AI research. It enables the Group to automate several daily tasks and improve the accuracy of results. The Group's Computer Vision Team facilitates day-to-day tasks, including biometric-based facial recognition, identity and document verification, vehicle damage estimation, crowd and people counting using object detection, and behavioural analytics. The team also developed solutions aimed at detecting parking violations and unsafe approaches to a vehicle ahead.

- **Natural Language Processing (NLP)**

Natural Language Processing (NLP) is one of the most important AI solutions that enable the analysis of large volumes of text in a very short time. The Arabic language is one of the most important natural languages today as it ranks fourth in terms of prevalence across the world. However, we find that the Arabic language has not had enough interest in this field. Research in the processing of Arabic with AI technologies is still in its early stages compared to the English language. This is why the Group's Research Department extensively strives to develop suitable solutions in the processing of the Arabic language that can be used locally and regionally. Examples of these solutions include searching for matching text strings using approximate smart techniques and semantic search engines, classifying long and short documents, deriving various information from them as needed, and analysing large volumes of text.

- **Data Science**

As our era witnesses unique technological developments in all aspects of life, data collection, use, storage, and analysis has improved impressively. To take the advantage of the abundant data, a focus on research and innovation is required to better understand data. Therefore, the Group's Research Department is keen to help its data engineers and analysts benefit from this technological revolution and product development by developing data-driven solutions for institutions and public and private entities. By working with city municipalities and the transportation and automotive sectors, the Research Team has succeeded in developing and automating many processes, which resulted in improved resource management and higher revenue.

- **Internet of Things (IoT)**

IoT is a network of things that contain sensors that allow data to be shared with other devices. IoT is a critical component of many smart applications such as smart homes and smart cities. The Group's Research Division seeks to develop telehealth services using IoT technology that allows hospitals to improve the experience of patients who need constant monitoring and limited intervention, such as the elderly and persons with chronic diseases.

- **Embedded Edge Computing**

Embedded edge computing was developed as a result of the significant growth of the IoT and smart devices. This type of computing allows the design and development of smart devices such as IoT devices or GPU-based devices to perform AI functions. Embedded computing is an evolving branch of electronics that deals with a microcontroller, SoC, embedded GPU-based hardware, and the integration of various sensors.

The Group's Research Department designs and develops customized electronic devices that can be used to count persons connected to the Internet, smart devices that can be controlled via Bluetooth or gestures, wearable smart headbands, and smart sensors to assist food inspectors.

- **Blockchain**

This technology emerged during the economic crisis in 2008G and has been quickly evolving until now. Blockchain provides a reliable system that prevents data penetration and provides a single and true source of information. Blockchain also provides a means of storing data via timestamp, by which data is stored in blocks chained to the previous block. Blockchain can be leveraged in governance, crypto-currency, healthcare, and supply chains.

The Group's Research Division develops solutions focusing on citizen identity management. Using these solutions, citizens and stakeholders can store their identity information (such as education records, healthcare records, and personal national IDs) in a secure electronic wallet that can be shared safely and effectively.

4-7 Overview of Tabadul's Products and Services

Tabadul develops digital solutions for the logistics sector to increase efficiency and transparency and enhance operational performance. Tabadul has developed a number of logistical and financial solutions, including:

- **Fasah platform:** a unified electronic window for the import and export system. This integrated platform facilitates international trade services by automating import and export procedures, which allows all parties related to trade and transport to provide information and documents at a unified point to fulfil all regulatory requirements for import, export, and transit. Fasah serves over forty-four (44) thousand importers and exporters, over three (3) thousand customs brokers, over thirteen (13) port operators, over one hundred and fifty (150) freight forwarders, over (30) car dealers, and over forty (40) private laboratories.

4-8 Overview of Emdad Al Khebrat's Services

Emdad Al Khebrat provides specialized and non-specialized human resources services on a large scale to various public and private entities in the Kingdom. The services of Emdad Al Khebrat include:

- **Talent Acquisition Service:** providing a search service, recruiting talent and competencies on behalf of the customer, and providing qualified candidates with the required experience to the customer to be interviewed and qualified for employment;
- **Human Resources Services:** utilising Emdad's experience in providing human resources services, such as analysing and creating job titles for the entity, drafting human resources policies and procedures, setting job descriptions, and providing other human resources services;
- **Training Services:** determining training needs, building and designing training packages, delivering training programs, providing logistics, and following up and evaluating the outputs;
- **Nationalization and Upskilling Services:** providing Saudisation solutions and improving skills based on linking and matching persons wishing to work for an employer and qualifying them through managing the complete training process;
- **Shared Services:** providing procurement, financial, legal, logistical, and technical management services and providing program management and operation services; and
- **Technology Services:** providing and operating technology solutions for the customer, such as: attendance and departure systems, web hosting, cloud systems and support systems for SMEs such as a human resources system (personnel affairs - self-services - salaries), a financial system (payments - revenues and receipts - budget - general ledger), and supply chain systems (procurement systems - contracts and tenders).

4-9 Business Continuity

The Directors declare that there has been no material interruption or suspension in the Group's business that had, or may have, a significant effect on the Company's financial position in the last 12 months.

4-10 Employees

4-10-1 The Company

The following table shows a detailed description of the Company's employees according to the main activity categories and the percentage of Saudisation:

Table (4-8): The Company's Employees as at 31 December 2018G, 2019G, and 2020G and H1 2021G

#	Segment	FY 2018G			FY 2019G			FY 2020G			H1 2021G		
		Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total
1.	Absher	44	116	160	46	126	172	49	127	176	50	119	169
2.	Business Process Outsourcing	2	78	80	2	80	82	2	70	72	2	66	68
3.	Business Segments	24	131	155	25	133	158	10	69	79	8	57	65
4.	Office of the CEO	3	8	11	3	10	13	1	16	17	4	8	12
5.	Corporate Develop-ment	7	34	41	6	32	38	6	31	37	6	25	31

#	Segment	FY 2018G			FY 2019G			FY 2020G			H1 2021G		
		Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total
6.	Finance	3	54	57	2	48	50	1	48	49	1	42	43
7.	Human Capital	10	38	48	11	39	50	19	38	57	16	48	64
8.	Internal Audit	2	7	9	3	7	10	3	8	11	2	9	11
9.	Marketing	6	22	28	6	27	33	10	29	39	10	29	39
10.	Product Suite	60	175	235	59	231	290	75	232	307	82	242	324
11.	Research and Innovation	8	16	24	14	17	31	13	16	29	10	13	23
12.	Shared Services	29	79	108	25	77	102	14	72	86	12	75	87
13.	Digital Custom Solution	166	271	437	171	317	488	75	109	184	67	76	143
14.	Training Solutions	11	31	42	7	30	37	-	-	-	-	-	-
15.	Technology	-	-	-	-	-	-	68	127	195	69	128	197
16.	Professional Services	-	-	-	-	-	-	42	15	57	14	37	51
17.	Nationalization and Upskilling	-	-	-	-	-	-	3	16	19	1	17	18
18.	Investment	-	-	-	-	-	-	-	-	-	1	5	6
Total		**375**	**1,060**	**1,435**	**380**	**1,174**	**1,554**	**391**	**1,023**	**1,414**	**355**	**996**	**1,351**

Source: The Company

4-10-2 Tabadul

The following table shows a detailed description of Tabadul's employees distributed according to main activity category and percentage of Saudisation:

Table (4-9): Tabadul's Employees as at 31 December 2018G, 2019G, and 2020G and H1 2021G

#	Division	FY 2018G			FY 2019G			FY 2020G			H1 2021G		
		Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Non-Saudi	Non-Saudi	Total
1.	Strategy and Innovation	2	1	3	5	1	6	8	1	9	6	2	8
2.	Business	46	5	51	82	3	85	86	2	88	95	2	97
3.	Marketing	3	1	4	6	0	6	5	0	5	4	0	4
4.	Solutions	18	9	27	31	0	31	25	0	25	17	1	18
5.	Legal Affairs and Board Secretariat	1	0	1	2	1	2	1	1	2	1	0	1
6.	Finance	9	3	12	18	0	18	18	0	18	18	0	18
7.	Internal Audit	1	0	1	2	0	2	1	0	1	2	0	2
8.	Information	21	9	30	33	7	40	24	5	29	20	4	24
9.	Executive Office	6	0	6	9	0	9	8	0	8	8	1	9
10.	Human Resources	15	0	15	16	0	16	12	1	13	16	1	17
11.	Information Security and Risks	0	0	0	4	1	5	5	1	6	8	0	8
Total		**122**	**28**	**150**	**208**	**13**	**221**	**193**	**11**	**204**	**195**	**11**	**206**

Source: The Company

4-10-3 Emdad Al Khebrat

The following table shows a detailed description of Emdad Al Khebrat's employees distributed according to main activity category and percentage of Saudisation:

Table (4-10): Emdad Al Khebrat's Employees as at 31 December 2018G, 2019G, and 2020G and H1 2021G

#	Division	FY 2018G			FY 2019G			FY 2020G			H1 2021G		
		Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
1.	Program Management	5	0	5	7	0	7	8	0	8	8	0	8
2.	Business Development and Sales	3	0	3	8	0	8	3	0	3	4	0	4
3.	Legal	1	0	1	2	0	2	2	0	2	2	0	2
4.	Procurement	0	0	0	2	0	2	2	0	2	2	0	2
5.	Finance	2	0	2	3	0	3	3	0	3	3	0	3
6.	Human Resources	11	0	11	15	1	16	14	0	14	16	0	16
7.	Projects	941	55	996	1,244	75	1,319	1,324	92	1,416	1,470	151	1,621
8.	Temporary	70	0	70	81	0	81	764	0	764	1,999	3	2,002
Total		1,033	55	1,088	1,362	76	1,438	2,120	92	2,212	3,504	154	3,658

Source: The Company

4-10-4 Saudisation requirements and the Nitaqat program

The following table shows the extent to which the Company, Tabadul, and Emdad Al Khebrat comply with Saudisation requirements according to their classifications in the Nitaqat program as at 15/10/1442H (corresponding to 27/05/2021G):

Table (4-11): Nitaqat Classification of the Company, Tabadul, and Emdad Al Khebrat as at 15/10/1442H (corresponding to 27/05/2021G)

#	Company	Activity Type	Saudisation Percentage	Scope
1	The Company	Information Technology - Economic	74%	Platinum
2	Tabadul	Information Technology	95%	Platinum
3	Emdad Al Khebrat	Large entity	92%	Platinum

Source: The Company

4-10-5 Elm Culture and Work Environment

The Company aims to provide an environment that stimulates creativity, initiative, and ideas, the exchange of opinions, experience, and knowledge among both existing and future employees, and that achieves a high level of support, development, and continuous training for employees by providing various training programs. These programs are provided by accredited institutes and held on a continuous basis inside and outside the Kingdom to improve skills and capabilities. The Company aims to enhance the skills of its employees by providing a range of programs that include group training, international courses, leadership programs, executive training, access to learning management systems (LMS), specialized training plans, higher education completion, graduate programs, and language learning programmes.

The Company also pays great attention to all matters that contribute to maintaining the work environment that distinguishes the Group from many of its competitors. This interest is based on a strong belief that employees are the true capital of the Company. As an entity is characterised by its own identity and culture, the Company develops and improves the employee's experience to provide a work environment that stimulates creativity and innovation and operates as an integrated system to achieve a distinct experience for employees. The Company believes that the work culture is felt on a daily basis and that the Group's organizational design, advantages, and internal policies are an integral part of this environment. Therefore, the Company applies a range of policies, programs, and initiatives that contribute to achieving a distinguished employee experience, including, but not limited to, the following initiatives:

- **Housing Loan Support:**

The Company supports its employees in acquiring suitable housing for them and their families bearing the interest on housing loans for a period of up to ten years.

- **Health Care:**

The Company is concerned with the health of its employees, bearing a portion of the costs of their personal health initiatives such as costs related to joining fitness clubs, purchasing sports equipment, and subscribing to healthy meals.

- **Family Care:**

The Company is concerned with the families of its employees, bearing part of the costs related to memberships in health clubs for the wife, children and parents of employees, training courses for the employee's family members, and fees for nurseries for employees' children.

- **Interest in Technology and Distance Education:**

Due to rapid changes in technology and the Company's belief in the importance of keeping pace with such changes, the Company bears a portion of the costs related to the purchase of a computer or mobile phone for its employees. As continuous learning has benefits at the level of the individual and society, the Company encourages its employees to learn about every new and beneficial development to continuously improve their skills. The Company bears part of the costs related to subscriptions to electronic and audio libraries and professional websites for its employees.

- **Safety Concerns:**

Under the slogan of safety first, the Group is concerned with safety and bears part of car insurance costs for its employees.

- **Leader and Employee Development:**

The Group is keen to develop and improve the skills of its employees to be leaders through various initiatives, including the following:

  - Provision of training courses:

  The Company believes in the continuous pursuit of learning. To this end, the Group uses several tools including training courses, whereby it provides training in an innovative way, whether in specialised training tracks, internal and external training programs, or executive and leader programs.

  - Attention to academic certificates:

  The Company urges its employees to obtain a bachelor's degree by paying tuition costs.

  - Attention to professional certificates:

  The Company encourages its employees to constantly learn new things in their specialities by rewarding them when they obtain a professional certificate.

- **Competitions and Events:**

The Company is keen to value and celebrate its employees. The Group also motivates its employees to exercise healthy habits by holding annual competitions.

- **Employee Voice:**

One of the key roles of the Group's Human Resources Committee is to improve the work environment. This committee may be chaired by any employee. Employee Voice is a program of the Human Resources Committee, which is a channel for following up on suggestions and observations to be addressed by the concerned departments. The program aims to convey the voice of employees to senior management, present their key observations, contribute to solutions, and help create a comfortable and positive work environment.

4-11 Social Responsibility

In its broad sense, the concept of corporate social responsibility or corporate social initiatives includes many aspects in various spheres of life, including health, social, environmental, developmental, or other areas. Accordingly, the Group is required to fulfil this responsibility. There is no doubt that the Group has participated in these efforts to achieve its objectives in this field through a specific and clear strategy based on its national duty and in response to the Kingdom's Vision 2030 which aims to build a vibrant society, a thriving economy, and an ambitious nation. The Group's CSR strategy is based on four (4) main pillars:

- Sustainability.
- Social Impact.
- Creativity.
- Cognitive Dimension.

Knowledge is an essential element in the development of the Company in particular and the country in general. The Company has followed a distinctive approach to finding, adopting, and supporting talent. This is based on the Company's belief in its social responsibility and the impact such will have on young people, enhancing their capabilities, allowing them to work and help build a more diversified economy in the Kingdom. In this context, the Company offers a set of social programs with a cognitive dimension, including 'Helm' (Dream), one of the Group's social programs directed at students of information technology, computer science, engineering, and software departments in the Kingdom's universities in particular, and persons who have computer basics and knowledge in general. The program aims to reduce the gap between university students and the requirements of the labour market. To this end, it provides services that help raise their efficiency and link them to practical reality, spread awareness and culture, and find new solutions and ideas to serve the community. Helm contains several areas and various events to create a spirit of competition, motivation, creativity, and community service and to provide consultations by specialised experts and prepare an annual training plan. This plan is designed to provide education and awareness through specialised camps aimed at raising and enhancing student competencies.

- **The Company's social contribution during 2020G and the crisis of the COVID-19 outbreak**

Due to the Company's interest in providing the best for its community and facilitating people's lives in light of the unusual circumstances resulting from the COVID-19 crisis, and to support the government's leading efforts in response to the pandemic, the Group has fulfilled its social responsibility by cooperating with several government entities to prepare creative solutions and platforms and specialised applications. During the COVID-19 crisis, the Company witnessed how many people benefited from application services that helped them lead their lives under these difficult circumstances where technology is considered one of the developed solutions that is indispensable for humans as it has played an important role in containing the pandemic. For example, one of the solutions the Group developed was the Tanaqul platform, which was made available for all residents of the Kingdom to help absorb applications for permits to move between regions, cities, and districts during the total curfew period. The platform contributed to the effective processing of applications within a short period using a professional mechanism. In cases of emergency, persons were able to obtain movement permits during the curfew period imposed as part of the precautionary measures to combat COVID-19.

As the Company was required to manage all business remotely due to the crisis, the Company activated the role of Leqaa, a platform that provides citizens and residents with the ability to remotely meet with ministers and government officials through visual communication. In addition, the Company benefited from the identity verification feature provided by Yakeen. Eshara has also been activated through Leqaa to facilitate communication with the deaf, using an interpreter as a third party with the deaf beneficiary and the official.

In support of the MCIT's Attaa Digital Initiative to train beneficiaries in information technology, the Company contributed to supporting the initiative by providing distance education through the Ithra platform and providing virtual classes. The Group provided one hundred (100) virtual class licenses for more than three thousand (3,000) users at the same time. The Company also contributed to developing a site for scheduling virtual classes on the Attaa Digital website.

To support charities during the crisis, the Company used Yakeen Charities to help them update the social status data of orphans and widows in the event of marriage to exclude them from beneficiary lists.

The Company also launched the "**Donate to Makkah**" initiative to facilitate linking donors with persons who are eligible for support. The Company managed to build and launch the platform in less than forty-eight (48) hours, and more than 35,000 applications were registered by the beneficiaries. This initiative aims to help underprivileged and needy families, people with special needs, and small field business owners, who were affected during the curfew period imposed as part of the precautionary measures to combat COVID-19. Through the "**Khair Al-Madinah**" initiative, the Company contributed to supporting and empowering charitable institutions and societies to exercise their social role in providing subsistence aid to needy and affected people and helping them provide their essential needs in the Madinah Region during the crisis. In Riyadh and Al-Qassim, the Group launched the "**Khairat Al-Riyadh**" and "**Nahr Al-Attaa**" initiatives to help underprivileged and needy families and small field business owners who were affected by the precautionary measures to combat COVID-19.

During 2020G, the Company gave priority to its social responsibility in proportion to its size and multi-field impact. The Company's plans and strategy focused on how to successfully fulfil this aspect of its tasks and implement them in the required manner according to the circumstances of the crisis.

4-12 Awards

The Company have received several digital sector awards, in recognition of the quality of the Company's information systems and services. Some of these awards are summarised below:

Table (4-12): Awards Received by the Group in 2006G–2018G

Award Description	Year	Awarding Entity
Digital Excellence Award	2006G	MCIT
Digital Excellence Award	2007G	MCIT
Best Work Environment Award	2007G	Al Riyadh Newspaper Award
Best Work Environment Award	2008G	Al-Eqtisadiah Newspaper Award
Ideal Entity for Workforce Award	2010G	Okaz Organization for Press and Publication
Corporate Membership in the IBBA	2015G	International Institute of Business Analysis (IIBA)
List of CMMI Companies	2016G	Software Engineering Institute (CMMI)
ISO 27001:2013 - Information Security	2018G	ISO

Source: The Company

5- Organizational Structure of the Company

5-1 Ownership Structure of the Company

The following table sets out the ownership structure of the Company before and after the Offering:

Table (5-1): Ownership Structure of the Company Pre- and Post-Offering

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares	Total Nominal Value (SAR)	Percentage	Number of Shares	Total Nominal Value (SAR)	Percentage
	Public Investment Fund	80,000,000	800,000,000	100%	53,600,000	536000,000	67%
	Public	-	-	-	24,000,000	240,000,000	30%
	Treasury shares*	-	-	-	2,400,000	24,000,000	3%
Total		**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

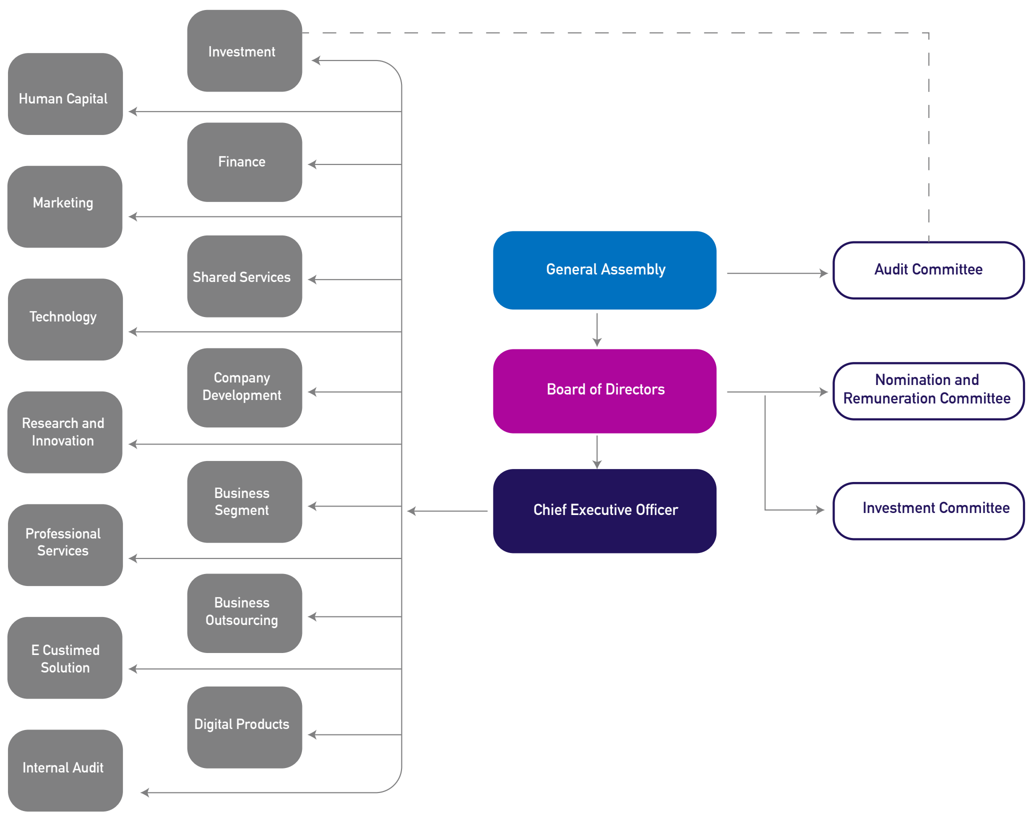
* In parallel with the Offering, the Public Investment Fund will sell two million four hundred thousand (2,400,000) shares based on the Offer Price to the Company to be used in the employee share program.

Source: The Company

5-2 Management Structure

The following chart shows the Company's management structure, including the Board of Directors, supervisory committees, and the functions of executive management:

Figure (11): The Company's Management Structure



Source: The Company

5-3 Board of Directors

5-3-1 Formation of the Board

The Company is managed by a board of directors consisting of nine (9) members appointed by the Ordinary General Assembly of shareholders of for a period of no more than three (3) years. The Ordinary General Assembly may re-elect the Directors for a similar period, and each shareholder may nominate themselves or one or more persons for membership on the Board, within the limits of their ownership percentage in the capital. The Board shall appoint a Chairman and a Vice-Chairman from among its members. The duties and responsibilities of the Board shall be determined under the Company's Bylaws and the Company's Internal Governance Manual. The current three-year term of the Board of Directors began on 20/04/1443H (corresponding to 25/11/2021G). The Board currently has no independent Directors which is in violation of the Corporate Governance Regulations. The Board has three (3) vacant seats to which members will be elected by the Company's General Assembly after Listing (for more information about the Company's undertakings regarding the election of independent members to the Board of Directors, please see Section 5-9 "**Corporate Governance**" and Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus).

The following table shows the Directors as at the date of this Prospectus:

Table (5-2): The Company's Board of Directors

No.	Name	Position	Nationality	Age	Capacity	Direct Ownership (%)		Indirect Ownership (%)**		Date of Appointment*
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
1	Raed Abdullah Ibrahim bin Ahmed	Chairman	Saudi	54 years	Non-Independent/ Non-Executive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
2	Raed bin Abdullah bin Ismail Ismail	Vice Chairman	Saudi	49 years	Non-Independent/ Non-Executive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
3	Issam Abdullah Khalaf Al Waqit	Director	Saudi	46 years	Non-Independent/ Non-Executive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
5	Abdullah Abdulrahman Abdulmohsin Al Rabiah	Director	Saudi	44 years	Non-Independent/ Non-Executive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
6	AlShehana Saleh Abdullah Al Azzaz	Director	Saudi	35 years	Non-Independent/ Non-Executive	-	-	--	-	20/04/1443H (corresponding to 25/11/2021G)
7	Abdullah bin Saad bin Mohammed Al Salem	Director	Saudi	37 years	Non-Independent/ Non-Executive	-	-	-	-	20/04/1443H (corresponding to 25/11/2021G)
	Vacant	Director	-	-	Independent/ Non-Executive	-	-	-	-	-
8	Vacant	Director	-	-	Independent/ Non-Executive	-	-	-	-	-
9	Vacant	Director	-	-	Independent/ Non-Executive	-	-	-	-	-

* Dates listed in this table are the dates of appointment to the current positions on the Board of Directors. The biographies of the Directors state the dates on which the Directors were appointed to the Board or any other position (for more information, please see Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus).

Source: The Company

The Secretary of the Board of Directors is Faris Hamad Faris Al Faris, who was appointed to this position on 14/08/1441H (corresponding to 07/04/2020G) (for a summary of his biography, please see Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus).

5-3-2 Responsibilities of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall have the broadest powers and authorities to manage the Company and its affairs and carry out all actions and deeds to achieve the Company's objectives, except for functions or acts excluded by a special provision of the Companies' Law or the Company's Bylaws or acts that fall within the powers of the General Assembly, and unless the Ordinary General Assembly issues a resolution restricting the powers of the Board of Directors regarding a specific matter. In addition, the Board of Directors may, within the limits of its powers, delegate one or more of its Directors or third parties to carry out certain activities. In performing its duties, the Board may undertake, without limitation, the following:

a) Contracting loans with terms that do not exceed the end of the Company's term, provided that:

   1) in its decision the Board determines the usage of these loans and the manner of their repayment; and

   2) to take into account that the conditions of the loans and guarantees provided to the Company do not negatively affect the Company, its shareholders, or the general guarantees of creditors.

b) The issuance of new shares in exchange for instruments or sukuk, in which the holders of the instruments or sukuk request their transfer, upon the expiration of the transfer request period specified for the holders of instruments or sukuk as previously approved by the Extraordinary General Assembly. In this respect, the Board may take all the necessary measures to amend the Company's articles of association with regard to the number of issued shares and the capital, including the publication of the completion of the procedures for each capital increase in the manner specified in the Companies Law regarding the publication of the resolutions of the Extraordinary General Assembly'.

c) The right to purchase and accept purchases, payment, and mortgage assets, real estate, and movable property of the Company, its subsidiaries, and its entities, discharge of mortgage, sell, vacate, and collect the price, and deliver the appraiser, provided that the Board determines in its decision the reasons and justifications for the aforementioned actions. In addition, the price of the sold asset shall be similar to the customary and is determined according to the established accounting principles. The price must not be deferred except in cases of necessity, with adequate guarantees, and the Company or its subsidiaries shall not be negatively affected, have some of their activities suspended, or bear other obligations due to the conditions of sale or mortgage.

d) The right to conciliation, assignment, contracting, obligation, association, litigation, collection of debts of the Company or its subsidiaries, and acceptance of conciliation and arbitration.

e) The right to acquit the debtors of the Company or its subsidiaries from their liabilities in accordance with the Company's interest, and in line with the accounting standards used in the event of debt write off, provided that the Board's report includes the reasons for its decision, subject to the following conditions:

   1) the acquittal shall be after the lapse of a full year from the commencement of the debt, as a minimum;

   2) the acquittal shall be for a specified amount, as a maximum, for each year for one debtor; and

   3) acquittal is a right of the Board and cannot be delegated.

f) Approving the general internal regulations of the Company or its subsidiaries, including the financial and administrative regulations, and the regulations related to the employees of the Company or its subsidiaries. The Chief Executive Officer of the Company has the authority to approve the 'internal policies and procedures of the Company in a manner that does not contradict the decisions of the Board, the general assemblies or the general regulations approved by them.

g) Opening and closing bank accounts and investment accounts in asset management companies in the name of the Company or its subsidiaries, inside or outside the Kingdom, and investing and managing those accounts.

h) Establishing subsidiary companies and participating in companies, signing articles of association of subsidiaries or companies shared between the Company and other companies, and signing decisions to amend their contracts, including signing the amendment of management clauses and appointing and dismissing managers in them, before the notary and other parties, in accordance with the interest of the Company.

i) Forming permanent and temporary committees emanating from the Board and approving their bylaws, with the exception of the Audit Committee.

j) Appointment and dismissing the CEO and the Deputy Chief Financial Officer, defining their functions, duties and financial rights.

k) Contracting with consultants and natural and legal persons, and determining the scope of their work, duties. and financial rights.

l) Insurance of the Company's immovable and movable property.

m) Authorization of the Chairman or one or more of its members or others to carry out specific work or actions that fall within the limits of its powers.

The Board of Directors shall appoint, from amongst its members or others the Company's Chief Executive Officer. The Board's resolution appointing the CEO shall determine his competencies, duties, and financial rights. The CEO shall be responsible for executing the Board's resolutions and manage the day-to-day operations of the Company, and head its employees under the supervision of the Board. The CEO shall have the powers set out by the Bylaws, and the Board and the Company's rules and regulations.

5-3-3 Chairman

The Chairman shall have the following authorities and responsibilities:

a) Presiding over Board meetings, calling for meetings, and chairing the meetings of the Ordinary and Extraordinary General Assemblies.

b) Representing the Company in its relations with others and with government agencies, companies, and individuals, before courts of all degrees and categories, the notary, the Board of Grievances, offices for adjudicating commercial bills disputes, arbitration authorities, and the chambers of commerce and industry. For the aforementioned purpose, the Chairman has the right to plead and defend the Company, to present evidence and documentation, conclude reconciliation, assignment, acquittal, denial, approval, request to swear an oath, delivery of judgements, appeal, and challenge them by way of cassation, and enforcement of judgements. The Chairman has the authority to sign contracts for the establishment of companies by the Company or which the Company participates in their establishment, and to sign decisions to liquidate them or decisions to amend their articles of association, including management clauses, appointing and dismissing directors, and other decisions, or contracts, sukuk, and vacating before the notary and official and private authorities; signing contracts, loan agreements and other financial agreements, mortgages and leases; and signing agreements for opening and closing accounts in banks, asset management institutions, and investment companies that invest in public and private securities inside and outside the Kingdom. In addition, the Chairman has the right to give power of attorney or delegate other members of the Board or others in carrying out an act or acts within the his authority.

5-3-4 Board Secretary

The Board Secretary shall have the following powers:

Writing the facts and decisions of the Board in the meeting minutes and including its signature and the signatures of the members of the Board present, and recording them in a special register prepared for this purpose; and communicating the decisions of the Board to the competent departments of the Company for their implementation.

5-3-5 Employment Contracts with Directors

No work or service contracts have been entered into between the Company and any of the Directors.

5-3-6 Summary Biographies of the Directors and Board Secretary

Following is a summary of the biographies of the Directors and the Secretary:

Table (5-3): Summary Biography of Raed Abdullah Ibrahim bin Ahmed

Name	Raed Abdullah Ibrahim bin Ahmed
Age	54 years
Nationality	Saudi
Position	Chairman
Capacity	Non-Independent/Non-Executive
Academic Qualifications	• Higher Diploma in Financial Planning, Dalhousie University and Institute of Banking, Canada, 2002G. • Bachelor of Accountancy, King Saud University, KSA, 1991G.
Current Positions	• Chairman of the Company, from 2019G to date. • Adviser to His Royal Highness the Minister of Interior, a Saudi ministry, operating in the field of internal security, from 2018G to date. • Director at Quality of Life Program, a Saudi governmental program, operating in the field of improving the lifestyle of individuals and families, from 2020G to date.

Select Past Professional Experience	• CMA agent for Market Institutions, a Saudi governmental body, operating in the field of supervising the regulation and development of the capital market, from 2017G to 2018G. • CMA agent for Listed Companies and Investment Products – Capital Market Authority, a Saudi governmental body, operating in the field of supervising the regulation and development of the capital market, from 2015G to 2017G. • Director General at General Department of Corporate Finance – Capital Market Authority, a Saudi governmental body, operating in the field of supervising the regulation and development of the capital market, from 2011G to 2015G. • Director General at General Market Supervision Department Capital Market Authority, a Saudi governmental body, operating in the field of supervising the regulation and development of the capital market, from 2008G to 2011G.

Source: The Company

Table (5-4): Summary Biography of Raed bin Abdullah bin Ismail Ismail

Name	Raed bin Abdullah bin Ismail Ismail
Age	49 years
Nationality	Saudi
Position	Vice Chairman
Capacity	Non-Independent/Non-Executive
Academic Qualifications	• Master of Business Administration, London Business University, UK, 2008G. • Bachelor of Finance, George Mason University, USA, 2001G.
Current Positions	• Member of the Nomination and Remuneration Committee at the Company from 2021 to date. • Director of the Operational Performance Enhancement Department at the Public Investment Fund, a Saudi government fund, working in the investment field, from 2021 to date. • Vice Chairman of the Company, from 2019G to date. • Member of the Company's Investment Committee, from 2019G to date. • Director at Kuwait Food Company (Americana Group), a closed joint stock company, operating in the field of food manufacturing, from 2021G to date. • Director at National Shipping Company of Saudi Arabia (Bahri), a listed joint stock company, operating in the field of transportation, from 2019G to date. • Director at International Company for Water and Power Projects (ACWA Power), a closed joint stock company, operating in the field of energy, from 2019G to date. • Director of Direct Investments Department in the Middle East and North Africa – Public Investment Fund, a Saudi government fund, operating in the field of investment, from 2018G to date. • Director at GDC Middle East, a joint stock company, operating in the field of aircraft construction and maintenance, from 2018G to date. • Director at Tahakom Investments Company, a closed joint stock company, operating in the field of investment, from 2018G to date. • Chairman of the Nomination and Remuneration Committee at The Helicopter Company, a closed joint stock company, operating in the field of public air transport, from 2019G to date. • Member of the Executive Committee at The Helicopter Company, a closed joint stock company, operating in the field of public air transport, from 2019G to date. • Member of the Nomination and Remuneration Committee at National Shipping Company of Saudi Arabia (Bahri), a listed joint stock company, operating in the field of energy, from 2019G to date. • Member of the Nomination and Remuneration Committee at International Company for Water and Power Projects (ACWA Power), a Saudi joint stock company, operating in the field of energy, from 2018G to date. • Chairman of the Executive Committee at GDC Middle East, a Saudi joint stock company, operating in the field of construction and maintenance of aircraft, aircraft structures and spare parts, and air navigation devices, from 2018G to date.
Select Past Professional Experience	• Director at Credit Suisse Saudi Arabia, a limited liability company, operating in the filed financial services, from 2013G to 2018G. • General Manager at Mawarid Food Company, a limited liability company, operating in the field of food production, from 2017G to 2018G. • Founder and General Manager of Retail House Limited, a limited liability company, operating in the field of food production, from 2014G to 2017G.

Source: The Company

Table (5-5): Summary Biography of Issam Abdullah Khalaf Al Waqit

Name	Issam Abdullah Khalaf Al Waqit
Age	46 years
Nationality	Saudi
Position	Director
Capacity	Non-Independent/Non-Executive
Academic Qualifications	• Ph.D. in Computer Science, UPV, Kingdom of Spain, 2011G. • Master of Computer Science, University of Southern California, USA, 2002G. • Bachelor of Computer Science, King Saud University, KSA, 1998G.
Current Positions	• Director at the Company, from 2020G to date. • Member of the Nomination and Remuneration Committee of the Company, from 2020G to date. • Director at National Information Center, a Saudi governmental centre, operating in the field of information, from 2019G to date.
Select Past Professional Experience	• Associate Professor at King Saud University, a Saudi public university operating in the field of higher education, from 2015G to 2019G. • Agent of the Ministry of Foreign Affairs for Technical Affairs, a Saudi ministry, operating in the field of foreign affairs of the Kingdom, from 2016G to 2018G.

Source: The Company

Table (5-6): Summary Biography of Abdullah Abdulrahman Abdulmohsin Al Rabiah

Name	Abdullah Abdulrahman Abdulmohsin Al Rabiah
Age	44 years
Nationality	Saudi
Position	Director
Capacity	Non-Independent/Non-Executive
Academic Qualifications	• Master of Electrical Engineering, King Saud University, KSA, 2006G. • Bachelor of Electrical Engineering, King Saud University, KSA, 1999G.
Current Positions	• Director, the Company, 2020G to date. • Deputy Minister for Security Capabilities – Ministry of Interior, a Saudi ministry, operating in the field of internal security sector, 2020G to date.
Select Past Professional Experience	• Manager of Technology Program at the Ministry of Interior, a Saudi ministry, operating in the field of internal security, from 2009G to 2020G.

Source: The Company

Table (5-7): Summary Biography of AlShehana Saleh Abdullah Al Azzaz

Name	AlShehana Saleh Abdullah Al Azzaz
Age	35 years
Nationality	Saudi
Position	Director
Capacity	Non-Independent/Non-Executive
Academic Qualifications	Bachelor of Laws, Durham University, UK, 2008G.

Current Positions	• Director at the Company, 2019G to date. • Chairman at Sela Sport, a Saudi closed joint stock company, operating in the field of organizing and managing sports, entertainment, and cultural events, from 2020G to date. • Director at Tabadul, a Saudi closed joint stock company, operating in the field of technology, from 2019G to date. • Chairman of the Nomination and Remuneration Committee at Tabadul, a Saudi closed joint stock company, operating in the field of technology, from 2019G to date. • Director at Diplomatic Quarter Holding Company, a Saudi closed joint stock company, operating in the field of real estate, from 2019G to date. • Member of the Nomination and Remuneration Committee at Diplomatic Quarter Holding Company, a Saudi closed joint stock company, operating in the field of real estate, from 2019G to date. • Secretary-General of the Board of Directors of the Public Investment Fund, a Saudi government sovereign fund, operating in the field of investment, 2018G to date. • General Legal Counsel, Public Investment Fund, a Saudi government sovereign fund, operating in the field of investment, from 2018G to date.
Select Past Professional Experience	• Chairman of the Nomination and Remuneration Committee at the Company, from 2019G to 2021G. • Manager of Commercial Transactions at the Public Investment Fund, a Saudi government fund, operating in the field of investment, from 2017G to 2018G. • Legal advisor at the Law Office of Looaye M. Al-Akkas in Association with Vinson & Elkins LLP, a law and legal advisory firm, operating in the fields of law and legal advice, from 2012G to 2017G. • Legal advisor at Baker McKenzie, a law and legal advisory firm, operating in the fields of law and legal advice, from 2008G to 2012G.

Source: The Company

Table (5-8): Summary Biography of Abdullah bin Saad bin Mohammed Al Salem

Name	Abdullah bin Saad bin Mohammed Al Salem
Age	37 years
Nationality	Saudi
Position	Director
Capacity	Non-Independent/Non-Executive
Academic Qualifications	• Master of Business Administration, University of Portsmouth, UK, 2010G. • Bachelor of Information Systems, King Saud University, KSA, 2007G.
Current Positions	• Director at the Company, from 2021G to date. • Member of the Nomination and Remuneration committee at the Company from 2021G to date. • Chairman of the Investment Committee at the Company from 2021G to date, • Member of the board of managers in the Saudi Company for Artificial intelligence, a limited liability company, operating in the field of AI, from 2021G to date. • Director at JASARA, a closed joint stock company, operating in the field of social infrastructure program management, from 2019G to date. • Director at Saudi BUTEC Company, a closed joint stock company, operating in the field of real estate asset management (heritage tourism), from 2019G to date. • Member of the Executive Committee at Saudi BUTEC Company, a closed joint stock company, operating in the field of real estate asset management (heritage tourism), from 2019G to date. • Member of the Nomination and Remuneration Committee at Saudi BUTEC Company, a closed joint stock company, operating in the field of real estate asset management (heritage tourism), from 2019G to date. • Manager of Strategy and Planning at Public Investment Fund, a Saudi government sovereign fund, operating in the field of investment, from 2016G to date. • Leader at Public Investment Fund, a Saudi government sovereign fund, operating in the field of investment, 2017G to date.
Select Past Professional Experience	• Manager of Project Management at Public Investment Fund, a Saudi government sovereign fund, operating in the field of investment, from 2016G to 2020G.

Source: The Company

Table (5-9): Summery Biography of Fares Hamad Fares Al Fares

Name	Fares Hamad Fares Al Fares
Age	43 years
Nationality	Saudi
Position	Board Secretary
Academic Qualifications	• Master of Laws, Nottingham Trent University, UK, 2005G. • Bachelor of Laws, King Saud University, KSA, 2001G.
Current Positions	• Secretary of the Board of Directors at the Company, from 2020G to date. • Vice President for Shared Services at the Company, from 2018G to date.
Select Past Professional Experience	• Director General at Shared Services, from 2016G to 2018G. • Head of the Legal Department at the Company, from 2005G to 2016G. • Employee at Saudi Grains Organization (formerly, Grain Silos & Flour Mills Organization), a Saudi government entity, operating in the field of managing the activities of silos and mills for flour production, from 2001G to 2003G.

Source: The Company

5-4 Board Committees

The Board of Directors has committees that have been formed according to the Company's needs, circumstances, and conditions to enable the Board to effectively perform its tasks and fulfil the relevant statutory requirements. These committees are the Audit Committee and the Nomination and Remuneration Committee.

Following is a summary of the structure, responsibilities, and members of each Committee:

5-4-1 Audit Committee

a) Composition of the Audit Committee

The Audit Committee consists of four (4) members appointed in accordance with the Extraordinary General Assembly's resolution dated 20/04/1443H (corresponding to 25/11/2021G) The Audit Committee currently has no independent Directors, in violation of the provisions of the Corporate Governance Regulations. The Company will comply with this requirement after the independent Directors are elected following Listing (for more information about the Company's undertakings regarding the election of independent members to the Board of Directors, please see Section 5-9 "**Corporate Governance**" and Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus). The following table shows the members of the Audit Committee:

Table (5-10): Members of the Audit Committee

#	Name	Position	Capacity
1	Abdulrahman Mohammed Abdulaziz Al Barrak	Chairman of the Audit Committee	Independent/Non-Executive/ Non-Director
2	Turki Abdulmohsin Faleh Al Luhaid	Member of the Audit Committee	Independent/Non-Executive/ Non-Director
3	Marwan Hamad Abdullah Al Luhaidan	Member of the Audit Committee	Independent/Non-Executive/ Non-Director
4	Firas Salah Aldine Abd AlHamid Akkad Alquraishi	Member of the Audit Committee	Non-Independent/Non-Executive/ Non-Director

Source: The Company

b) Responsibilities of the Audit Committee

The Audit Committee shall:

1) Review and reassess the adequacy of the tasks, rules, and controls included in this charter from time to time and recommend any proposed changes to the Board of Directors, which shall consider and make recommendations thereon to the General Assembly of shareholders.

2) Monitor the Company's business and verify the policies and procedures that ensure the integrity and correctness of reports, financial statements, and internal control systems. In particular, the Committee shall:

Financial Reporting

a) Consider and examine the Company's interim quarterly financial statements before they are submitted to the Board of Directors and express opinions and recommendations thereon to ensure their integrity and that they are, fair and transparent.

b) Provide a technical opinion, at the request of the Board, regarding whether the Board's annual report and the Company's financial statements are fair, balanced, and understandable and contain information that enables shareholders and investors to assess the Company's financial position, performance, business model, and strategy.

c) Analyse any significant or unusual issues contained in the financial reports and accounts.

d) Investigate any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties or the Company's compliance officer or auditor.

e) Examine accounting estimates with regard to significant matters that are contained in the financial reports.

f) Consider the Company's accounting policies, express an opinion thereon, and make recommendations to the Board of Directors with respect thereto;

Internal Audit

a) Make recommendations to the Board of Directors on the appointment of the head of internal audit, and propose his/her remuneration.

b) Consider and review the Company's internal and financial control system and risk management, ensure they are effective through periodic reports to the internal audit or other departments, ensure the efficiency and effectiveness of the internal and financial control systems, prepare a report including proposals and recommendations in this regard, and submit them to the Board.

c) Supervise the plans and work of the internal audit department and ensure that they are effective, in line with the regulations, laws, and professional practices in this regard.

d) Consider internal audit reports and follow up on the implementation of corrective actions for the notes contained therein.

e) Oversee and supervise the performance and activities of the Company's internal auditor and Internal Audit Department to ensure their access to the necessary resources and their effectiveness in performing the tasks and duties assigned thereto.

f) Ensure the independence of Internal Audit and enable it to perform its duties effectively.

g) Consider the internal audit plan and estimated budget for its implementation and make recommendations to the Board for approval.

Internal Control System

a) Consider and provide opinions on draft policies and powers in light of its supervisory role before such are approved by the Board.

b) Review the regulations of the Board and its committees and express an opinion on matters related to regulatory aspects before they are approved by the Board.

c) Review executive management's reports related to the internal control system and its components, and express opinions to the Board with regard to the same.

d) Consider issues referred to it by the Board to make recommendations to the Board thereon in light of its supervisory role.

e) Evaluate the effectiveness of the Company's assessment of the significant risks it may be exposed to and steps taken by the Company's management to monitor and manage such risks.

f) Supervise investigations related to breach of trust (such as fraud, embezzlement, or material errors) in the Company or any other matters that the Committee considers important to investigate.

Auditor

a) Make recommendations to the Board of Directors about the nomination and dismissal of auditors, determining their fees, and evaluating their performance after checking their independence and reviewing their scope of work and contract terms.

b) Verify the independence and objectivity of the auditor and the effectiveness of auditing, taking into account the relevant rules and standards.

c) Review the plan and work of the Company's auditor, verify that there are no transgressions or deficiencies in the performance of its duties, verify that it does not conduct technical or administrative works outside the scope of the audit, and provide its opinions in this regard.

d) Respond to inquiries of the Company's auditor.

e) Examine the auditor's reports and notes on the financial statements, provide its opinions thereon, if any, and follow up on actions taken in this regard.

f) Examine and address any restrictions on the auditor's work that might affect its ability to perform its work and tasks.

g) Discuss and make inquiries with the auditor when necessary.

Compliance

a) Review the results of reports of supervisory bodies and verify that the Company has taken the necessary actions in this regard.

b) Oversee the Company's compliance with relevant laws, regulations, policies, and instructions.

c) Review the Company's proposed contracts and transactions with related parties and provide its recommendations to the Board in connection therewith.

d) Submit to the Board of Directors any issues, within the scope of its work, that it believes require a decision, and provide recommendations on the steps to be taken.

IT Control

a) Work with the senior management, auditor, and internal audit to confirm:

b) the effectiveness of control systems and rules for the Company's information system;

c) any relevant findings and recommendations by the chartered accountant and the Internal Audit Department, along with management's responses thereto, including the agreed schedule for implementing the recommendations on controls and monitoring tools, including minimising risks related to such key controls; and

d) the effectiveness and efficiency of the Company's management information systems and other information technology systems.

e) Together with the internal audit department and the chartered accountant, coordinate auditing efforts to ensure the full coverage of the control system and key risk areas related to information technology.

Risk Management

a) Oversee and enhance the Company's risk management framework.

b) Identify and control the Company's major risks, evaluate their management, and align risk management activities with the Company's general objectives and policies.

c) Ensure the size of risks and consider them carefully.

d) Recommend the approval of risk management policies and procedures that define the minimum appropriate monitoring and control, set and define risk limits, and define reporting requirements in accordance with management instructions.

e) Receive annual reports from the internal auditor on the implementation of the Company's risk management policies and procedures, and make recommendations on changes if there are problems with management or internal audit methodologies.

f) Provide administrative oversight to monitor the required administrative procedures, including an analysis of future risks and a long-term view in various entities.

g) Conduct an annual evaluation of the Company's business strategies and plans from a risk perspective.

h) Discuss risk assessment policies, manage risks that the Company may be exposed to, and review steps taken by the Company's management to monitor and control financial risk exposure.

i) Review and assess risks related to the main activities on a periodic basis.

j) Review any legal claims against the Company by communicating with the Company's legal advisors to identify the impact of such claims on the Company's business.

k) Review the Company's continuity plan.

Investees

a) Ensure the effectiveness of the procedures for the formation and performance of the subsidiaries' audit committees.

b) Ensure the efficiency of the subsidiaries' internal audit departments by reviewing the annual evaluation of the quality of subsidiaries' internal audit and reporting to the Board as it deems appropriate in this regard.

c) Verify the mechanism related to nominating and appointing the subsidiaries' external auditor and reporting to the Board as it deems appropriate in this regard.

d) Obtain the necessary and appropriate confirmation from the subsidiaries' audit committees regarding the effectiveness and integrity of the internal control system in accordance with the applicable laws and partners' agreements.

e) Approve the general framework and audit protocol governing the subsidiaries' internal audit department, audit committees, and internal audit.

f) Examine audit projects proposed by the Internal Audit Department to be applied to subsidiaries, and coordinate with the subsidiaries' audit committees.

c) Summary Biographies of the Members of the Audit Committee

Below are the summary biographies of the members of the Audit Committee:

Table (5-11): Summary Biography of Abdulrahman Mohammed Abdulaziz Al Barrak

Name	Abdulrahman Mohammed Abdulaziz Al Barrak
Age	45 years
Nationality	Saudi
Position	Chairman of the Audit Committee
Capacity	Independent/Non-Executive/Non-Director
Academic Qualifications	• Doctorate in Finance, Newcastle University, UK, 2005G. • Bachelor of Accountancy, King Faisal University, KSA, 1997G.
Current Positions	• Chairman of the Audit Committee, of the Company from 2019G to date. • CEO of Thara Administrative Investment Company, a Saudi limited liability company, operating in the field of administrative and financial consultancy sector, 2018G to date.
Select Past Professional Experience	• Vice Chairman of the Capital Market Authority, a Saudi government entity operating in the field of supervising the regulation and development of the capital market, 2017G. • Director pf Capital Market Authority, a Saudi government entity operating in the field of supervising the regulation and development of the capital market, 2009G to 2017G.

Source: The Company

Table (5-12): Summary Biography of Turki Abdulmohsin Faleh Al Luhaid

Name	Turki Abdulmohsin Faleh Al Luhaid
Age	40 years
Nationality	Saudi
Position	Member of the Audit Committee
Capacity	Independent/Non-Executive/Non-Director
Academic Qualifications	• Bachelor of Accountancy, King Saud University, KSA, 2003G.
Current Positions	• Member of the Audit Committee, the Company, 2019G to date. • Managing Partner, Turki Abdulmohsin Al Luhaid & Saleh Abdullah Al Yahya Accountants & Auditors, a Saudi professional partnership, legal accounting sector, 2015G to date.
Select Past Professional Experience	• Partner Auditor, Ernst & Young, a Saudi professional partnership, accounting, and financial advisory service sector, 2006G to 2014G. • Operations Executive, Credit Department, Riyad Bank, a Saudi listed joint stock company, banking sector, 2004G to 2005G.

Source: The Company

Table (5-13): Summary Biography of Marwan Hamad Abdullah Al Luhaidan

Name	Marwan Hamad Abdullah Al Luhaidan
Age	40 years
Nationality	Saudi
Position	Member of the Audit Committee
Capacity	Independent/Non-Executive/Non-Director
Academic Qualifications	• Master of Computer Systems Security, University of Glamorgan, UK, 2010G. • Bachelor of Information Systems, King Saud University, KSA, 2003G.
Current Positions	• Member of the Audit Committee, the Company, 2020G to date. • Director General, Cyber Risks Monitoring, Saudi Central Bank, a Saudi government entity, monetary sector and financial institution supervision, 2020G to date.
Select Past Professional Experience	• Director, IT Risk Management and Payment Systems, Saudi Central Bank, a Saudi government entity, monetary sector and financial institution supervision, 2015G to 2020G. • Member of several international committees, such as BIS committees and FSB committees.

Source: The Company

Table (5-14): Summary Biography of Firas Salah Aldine Abd AlHamid Akkad Alquraishi

Name	Firas Salah Aldine Abd AlHamid Akkad Alquraishi
Age	40 years
Nationality	Saudi
Position	Member of the Audit Committee
Capacity	Non-Independent/Non-Executive/Non-Director
Academic Qualifications	• Master of Banking and Finance, University of Sydney, Australia, 2010G. • Bachelor of Accounting, King Fahad University for Petroleum and Minerals, KSA, 2006G.
Current Positions	• Member of the Audit Committee, the Company, 2021G to date. • Chairman of the Audit Committee at the Saudi Hospitality Company, a joint stock company working in the hospitality industry, from 2021G to date. • Director at the Saudi Hospitality Company, a joint stock company working in the hospitality industry, from 2021G to date. • Director at Taiba Investment Company, a listed joint stock company working in the investment industry, from 2018G to date. • Member of the Audit Committee at Taiba Investment Company, a listed joint stock company working in the investment industry, from 2018G to date. • Member of the Social Responsibility Committee at Taiba Investment Company, a listed joint stock company working in the investment industry, from 2018G to date. • Director of Financial Control and Accounting at the Public Investment Fund, a sovereign wealth fund working in the investment sector, from 2017G to date.
Select Past Professional Experience	• Financial Affairs Director at the Water and Electricity Company, a limited liability company, working in the energy sector, from 2014G to 2017G. • Financial Controller at Saudi Fransi Capital, a joint stock company working in the financial advisory and asset management sector, from 2012G to 2014G. • Assistant Finance Manager at Amana Insurance Company, a listed joint stock company working in the insurance sector, from 2011G to 2012G. • Assistant Relationship Manager at the Saudi Hollandi Bank, a listed joint stock company working in the banking sector, from 2010G to 2011G. • Auditor at PwC, a professional company working in the accounting sector, from 2006G to 2008G. • Associate at PwC, a professional company working in the accounting sector, from 2005G to 2006G.

Source: The Company

5-4-2 Nomination and Remuneration Committee

a) Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four (4) members appointed pursuant to the Board resolutions dated 20/04/1443H (corresponding to 25/11/2021G). The Nomination and Remuneration Committee currently has no independent Directors, in violation of the provisions of the Corporate Governance Regulations. The Company will comply with this requirement, through the appointment of an independent Director as chairman of the Nomination and Remuneration Committee, after the independent Directors are elected following Listing (for more information about the Company's undertakings regarding the election of independent members to the Board of Directors, please see Section 5-9 "**Corporate Governance**" and Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus). The following table shows the members of the Nomination and Remuneration Committee:

Table (5-15): Members of the Nomination and Remuneration Committee

#	Name	Position	Capacity
1	Issam Abdullah Khalaf Al Waqit	Member of the Nomination and Remuneration Committee	Non-Independent/Non-Executive
2	Abdullah bin Saad bin Mohammed Al Salem	Member of the Nomination and Remuneration Committee	Non-Independent/Non-Executive
3	Raed bin Abdullah bin Ismael bin Ismael	Member of the Nomination and Remuneration Committee	Non-Independent/Non-Executive
4	Abdullah Abdulrahman Abdulmohsin Al Rabiah	Member of the Nomination and Remuneration Committee	Non-Independent/Non-Executive

Note: the Chairman of the Nomination and Remuneration Committee has not been appointed as of the date of this Prospectus. He will be appointed after the independent Directors are elected following Listing (for more information about the Company's undertakings regarding the election of independent members to the Board of Directors, please see Section 5-9 "**Corporate Governance**" and Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus).

Source: The Company

b) Responsibilities of the Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

With respect to nominations:

The Committee shall, without limitation:

1) Propose clear policies and criteria for membership on the Board of Directors, executive management, and the Company's representatives on the boards of directors of subsidiaries.

2) Make recommendations to the Board of Directors on the nomination and re-nomination of Directors in accordance with the approved policies and standards, provided that such nomination not include any person convicted of a breach of trust.

3) Conduct an annual review of the necessary skills or experience required for membership on the Board of Directors and Board committees and for executive management positions, and prepare a description of the required capabilities and qualifications for Board membership and executive management positions, including determining the amount of time that a member must allocate to Board functions.

4) Review the structure of the Board, Board committees, and executive management, and make recommendations regarding the size and composition thereof and any other recommended changes.

5) Establish the roles and responsibilities of executive members, non-executive members, independent members, and senior executives.

6) Establish special procedures for vacancies on the Board of Directors or among Senior Executives.

7) Determine the strengths and weaknesses of the Board and recommend solutions that serve the Company's interests by:

   a. proposing the necessary mechanisms to annually assess the performance of the Board, its members and committees, and the executive management using appropriate performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of risk management, and the efficiency of the internal control systems, among others; and

b. assisting the Board in making the necessary arrangements for the evaluation of its performance by a competent third party every three years and supervising the evaluation process.

8) Submit its recommendations to the Board in the event of a vacancy on any of the Board's committees regarding the appointment of new members when necessary.

9) Annually verify the independence of the independent Directors, and ensure that there is no conflict of interest among the Chairman, the Board of Directors, the Directors, the CEO, and other key administrative positions, and whether a Director is a member of the board of directors of any other company.

10) Consider and review the administrative succession plans or replacement of the Board, the Chief Executive Officer, and the Senior Executives in particular.

11) Provide appropriate training and introduction for new members on the Board and Board committees regarding the Company's tasks and achievements so that they can perform their work with the required efficiency.

12) Develop the necessary mechanisms for the Directors and executive management to continuously enrol in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

13) Draft job descriptions for executive, non-executive, and independent Directors and Senior Executives.

With respect to remuneration:

1) Develop a clear policy for remuneration of Directors, Board committee members, and the Chief Executive Officer that follows performance-related standards, further motivates the administrative personnel, and maintains distinguished cadres, review and recommend such policy to the Board of Directors preliminary to approval by the General Assembly, and disclose and ensure the implementation of such policy. This policy shall:

- be consistent with the Company's strategy and objectives;
- be consistent with the magnitude, nature, and level of risk faced by the Company; and
- attract and retain talented Directors and executive management and motivate them to achieve the Company's success and enhance long-term shareholder value.
- Determine remuneration based on job level, duties, responsibilities, educational qualifications, practical experience, skills, and performance level.

2) Clarify the relationship between paid remuneration and the adopted remuneration policy, and highlight any material deviation from that policy.

3) Periodically review the remuneration policy and assess its effectiveness in achieving its objectives.

4) Make recommendations to the Board with respect to the remuneration of the Directors, Board committee members, and the Chief Executive Officer of the Company in accordance with the approved policy.

5) Review the CEO's financial remuneration, including long and short-term incentives, define the ceiling of expected results to be achieved by the CEO, and make recommendations to the Board in this regard.

6) Review the compensation and retirement plan and incentive policies and plans for employees.

7) Provide the Board and executive management with adequate information and external advice to ensure that remuneration is set based on informed decisions.

c) Summary Biographies of the Members of the Nomination and Remuneration Committee

Following are summary biographies of the members of the Nomination and Remuneration Committee:

Table (5-16): Summary Biography of Issam Abdullah Khalaf AlWaqit

Name	Issam Abdullah Khalaf AlWaqit
Position	Member of the Nomination and Remuneration Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Table (5-17): Summary Biography of Abdullah bin Saad bin Mohammed Al Salem

Name	Abdullah bin Saad bin Mohammed Al Salem
Position	Member of the Nomination and Remuneration Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Table (5-18): Summary Biography of Raed bin Ismael bin Ismael

Name	Raed bin Ismael bin Ismael
Position	Member of the Nomination and Remuneration Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Table (5-19): Summary Biography of Abdullah Abdulrahman Abdulmohsin Al Rabiah

Name	Abdullah Abdulrahman Abdulmohsin Al Rabiah
Position	Member of the Nomination and Remuneration Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Source: The Company

5-4-3 Investment Committee

a) Composition of the Investment Committee

The Investment Committee consists of five (5) members appointed pursuant to the Board resolutions dated 12/04/1443H (corresponding to 25/11/2021G. The following table shows the members of the Investment Committee:

Table (5-20): Members of the Investment Committee

#	Name	Position	Capacity
1.	Abdullah bin Saad bin Mohammed Al Salem	Chairman of the Investment Committee	Non-Independent/Non-Executive
2.	Abdul Rahman Saad Saadan Al Jadhi	Member of the Investment Committee	Non-Independent/ Executive
3.	Shahad Abdurahman Hussain Attar	Member of the Investment Committee	Non-Independent/Non-Executive/Non-Director
4.	Fahad Khaled Mohammed AlSaud	Member of the Investment Committee	Independent/Non-Executive/Non-Director
5.	Nawaf Dauod Suleiman AlHoshan	Member of the Investment Committee	Independent/Non-Executive/Non-Director

Source: The Company

b) Responsibilities of the Investment Committee

The duties and responsibilities of the Investment Committee include the following:

1) Define the investment strategy, policies, and guidelines, submit them to the Board for approval, recommend their amendment as necessary, including the policies and guidelines for asset classification, asset allocation trends, prohibited investments, and valuation.
2) Set investment criteria or measures to be used by the Company to monitor the performance of its investments, and review them on a periodic basis.
3) Supervise the development of a plan for investing surplus cash and money borrowed for the purpose of investment in order to maximise returns as much as possible.
4) Review the proposed investments and take the necessary measures in this regard, whether by approving investments to the extent permitted by the approved schedule of powers or submitting them to the Board for approval.
5) Review and consider recommendations for the establishment or acquisition of companies in whole or in part, take the

necessary action in this regard, whether by approving them to the extent permitted by the approved schedule of powers or submitting them to the Board for instruction in their regard, and comply with the Board's relevant instructions.

6) Supervise the performance of investment operations and monitor the compliance of such investments with investment strategies and policies.

7) Periodically review investment performance reports and ensure that they achieve the agreed objectives, and take the appropriate action in accordance with the approved schedule of powers and/or submit them to the Board for direction.

8) Review and address issues related to Zakat/tax compliance in relation to investment transactions and ensure that the Company's investments are in compliance with Shariah principles.

9) Perform any other responsibilities relating to the Company's investment activities or other policies or matters as may be assigned by the Board to the Committee from time to time.

c) Summary Biography of the Members of the Investment Committee

Following are summary biographies of the members of the Investment Committee:

Table (5-21): Summary Biography of Abdullah bin Saad bin Mohammed bin AlSalem

Name	Abdullah bin Saad bin Mohammed bin AlSalem
Position	Chairman of the Investment Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-22): Summary Biography of Raed bin Abdullah bin Ismail Ismail

Name	Raed bin Abdullah bin Ismail Ismail
Position	Member of the Investment Committee
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-23): Summary Biography of Abdulrahman Saad Saadan Al Jadhi

Name	Abdulrahman Saad Saadan Al Jadhi
Age	53 years
Nationality	Saudi
Position	Member of the Investment Committee
Designation	Non-Independent / Executive / Non-Director
Academic Qualifications	• Ph.D. in Computer Science, University of Pittsburgh, Pennsylvania, USA, 1999G. • Master of Computer Science, University of Michigan, Michigan State, USA, 1993G. • Bachelor of Computer Engineering, King Saud University, KSA, 1989G.
Current Positions	• Chief Executive Officer, the Company, 2012G to date. • Member, Nomination and Remuneration Committee, the Company, 2013G to 2021G. • Member, Investment Committee, the Company, 2017G to date. • Director, Taibah Valley, a government entity, technology sector, 2018G to date. • Director, National Real Estate Registration Services Company, a company owned by the Public Investment Fund, real estate sector, 2020G to date.
Select Past Professional Experience	• Assistant Professor, College of Technology, Technical and Vocational Training Corporation, education and training sector, 1999G to 2002G. • Manager, Infrastructure, STC, a listed joint stock company, communication industry, 2002G to 2005G. • Manager, E-Business and Strategy, the Company, 2005G to 2012G. • Chairman, First Health Cluster, Ministry of Health, primary health centre sector, 2017G to 2020G.

Source: The Company

Table (5-24): Summary Biography of Shahad Abdulrahman Hussain Attar

Name	Shahad Abdulrahman Hussain Attar
Age	38 years
Nationality	Saudi
Position	Member of the Investment Committee
Designation	Non-Independent / Non-Executive / Non-Director
Academic Qualifications	• Masters of Business and Technology Entrepreneurship, Waterloo University, Canada, 2006G. • Bachelor of Information Systems Management, Dar AlHekma University, KSA, 2005G.
Current Positions	• Member of the Investment Committee at the Company, 2021G to date. • Member of the Board of Managers of the Saudi Company for Artificial Intelligence Company, a limited liability company working in the artificial intelligence sector, 2021G to date. • Director of Direct Local Investments and Head of Technology and Media Sector at the Public Investment Fund, a sovereign fund working in the investment sector, 2021G to date.
Select Past Professional Experience	• Head of Telecommunication and Information Technology Sector at the Ministry of Investment, a government entity supervising the investment sector, from 2020G to 2021G. • General Manager at Accenture, a public company working in the consulting business, from 2019G to 2020G. • Director of Business Development and Government Relations at the Saudi Telecom Company, a listed company working in the telecom industry, from 2016G to 2019G.

Source: The Company

Table (5-25): Summary Biography of Fahad Khaled Mohammed AlSaud

Name	Fahad Khaled Mohammed AlSaud
Age	38 years
Nationality	Saudi
Position	Member of the Investment Committee
Designation	Independent / Non-Executive / Non-Director
Academic Qualifications	• Masters of Corporate Finance, Reading University, United Kingdom, 2009G. • Bachelor of Finance, King Fahad University for Petroleum and Minerals, KSA, 2006G.
Current Positions	• Member of the Investment Committee at the Company, 2021G to date. • CEO and Managing Directors of Alpha Capital, a closed joint stock company working in the investment sector, from 2018G to date. • Director at Alpha Capital, a closed joint stock company working in the investment sector, from 2018G to date. • Member of the Investment Committee at Prince Naif College, a university working in the education sector, from 2019G to date.
Select Past Professional Experience	• Consultant to the Governor of the Public Investment Fund, a sovereign fund working in the investment sector, from 2015G to 2017G. • Deputy Head of Alternative Investments at Jadwa Investment Company, a joint stock company working in the investment sector, from Jun 2015G to November 2015G. • Consultant to the Head of the CMA, a government entity supervising the capital market, from 2010G to 2014G. • Credit Analyst at the Industrial Development Fund, a government entity working in the finance sector, from 2006G to 2008G.

Source: The Company

Table (5-26): Summary Biography of Nawaf Daoud Suleiman Al Hoshan

Name	Nawaf Daoud Suleiman Al Hoshan
Age	41 years
Nationality	Saudi
Position	Member of the Investment Committee
Capacity	Independent/Non-Executive/Non-Director
Academic Qualifications	• Executive Master of Business Administration, King Fahd University of Petroleum and Minerals, KSA, 2014G. • Bachelor of Computer Science, King Saud University, KSA, 2001G.
Current Positions	• Member, Investment Committee, the Company, 2020G to date. • Deputy Minister for Technology, Ministry of Communications and Information Technology, a government entity, supervising the communications and information technology sector, 2020G to date.
Select Past Profession-al Experience	• Senior Advisor to HE the Minister of Communications and Information Technology, a government entity, supervising the communications and information technology sector, 2020G. • Director, MODON, a government entity, supervising industrial cities, 2020G. • CEO, Raz Holding Group, a closed joint stock company, venture capital sector, 2011G to 2013G. • Director, Systems and Solutions, STC, a listed joint stock company, telecommunications sector, 2017G. • Director, Systems and Solutions, Advanced Electronics Company, a limited liability company, technology sector, 2016G.

Source: The Company

5-5 Executive Management

The Company's executive management consists of a team that has the necessary expertise and skills to manage the Company under the direction of the Board of Directors. The Chief Executive Officer shall conduct the Company's day-to-day business in accordance with the Board's directions and policies to ensure that the Company achieves the objectives set by the Board of Directors.

5-5-1 Executive Management Departments

a) Finance

The Finance Department shall have the following duties and responsibilities:

- Engage with the Office of the CEO by contributing to the formation, communication, and implementation of the Company's overall vision, mission, values, beliefs, and strategic objectives.
- Formulate and implement the strategic plan that defines the financial management direction and implements the general strategic direction.
- Provide leadership and direction for evaluating the work of other executives within the Finance Department.
- Ensure efficient operations with respect to all financial positions.
- Submit financial performance reports at the level of the Company, business unit, projects, and products.
- Financial Control: Control and optimise costs in line with the budget.
- Provide support during the annual budget cycle.
- Perform activities related to accounting and consolidation within the Company and prepare financial results to be used when dealing with relevant external parties.
- Ensure compliance with relevant financial regulations such as International Financial Reporting Standards and the General Authority of Zakat and Tax.
- Manage cash, capital structure, credit, and collection.
- Provide leadership and training for all financial positions to ensure resource development and enhancement.
- Constantly seek new ways to improve processes and reduce cycle times.

b) Marketing

The Marketing Department shall have the following duties and responsibilities:

- Engage with the Office of the CEO by contributing to the formation, communication, and implementation of the Company's overall vision, mission, values, beliefs, and strategic objectives.
- Develop corporate marketing strategies, upgrade marketing activities in line with recent market trends and contribute to the Company's key performance indicators.
- Define marketing strategies to support the Company's overall strategies and objectives.
- Plan and organize marketing functions and operations (customer-centric, branding, communication, and events) and ensure that they reflect the unique 'voice' of the Company.
- Develop, promote, and communicate the corporate social responsibility (CSR) program and policy and ensure that the CSR program is aligned with the Company's objective and enhances the Company's reputation.
- Follow market trends and direct the Company's marketing efforts.
- Coordinate with other departments to direct a standardised approach to customer service, distribution, etc., that meets market requirements.
- Build a high calibre team of marketing professionals.
- Establish a strong network of strategic partnerships.
- Contribute to the overall growth of the Company in line with the Company's KPIs.
- Analyse the Company's marketing strategy and suggest improvements.

c) Shared Services

The Shared Services Department shall have the following duties and responsibilities:

- Provide unified and centralised legal service and advice to the Company.
- Increase legal awareness within the Company and protect the Company's assets and intellectual property.
- Conduct procurement activities in a transparent and fair manner and ensure high value for money.
- Manage relationships with suppliers including selecting, approving, and excluding suppliers, etc.
- Manage the Company's facilities such as facilities for the Company's own use and for customers' projects, including engineering, construction, renovation, maintenance, etc.
- Provide administrative services, including government relations.
- Provide support services including transportation, cleaning, hospitality, office equipment, etc.
- Manage the Company's warehouses and stores.

d) Internal Audit

The Company's Internal Audit Department is divided into three (3) divisions. Their tasks and responsibilities are as follows:

The Business Review division, which has the following responsibilities:

- Define the audit strategy and plan for financial and operations in relation to the Company's activities.
- Analyse and evaluate strategic risks related to operational and financial activities and prioritise audits based on implementation risks.
- Provide assurance services on operations and financial operations.
- Make recommendations to management regarding operational and financial controls.
- Perform special tasks related to financial and operational aspects based on management's requests.
- Analyse quarterly and annual financial statements and examine relevant important issues.
- Discuss the work of the external auditors related to the annual and quarterly financial statements.
- Provide insights to the Audit Committee regarding the review of budget expenditures against actual expenditures.
- Monitor the timely implementation of corrective actions related to financial and operational observations.

The Continuous Audit division, which has the following responsibilities:

- Identify risk indicators, set up monitoring and tracking dashboards to automate audits based on data and systems, prepare periodic performance reports on automated processes, and set standards for exceptions, notifications, and emails.
- Promote audit automation processes by aligning audits with business and IT needs through a systematic, disciplined, and focused audit approach to financial, operational, and technical analysis in collaboration with other audit departments.
- Interact with other functions within the Internal Audit division regarding continuous audit findings that are relevant to their respective functions and that focus on effective corporate governance, performance improvement, and achievement of organisational objectives.
- Evaluate and enhance procedures for monitoring and detecting fraud and promoting integrity, accountability, and ethical behaviour.
- Measure and improve awareness of the control environment and compliance with the corporate governance regulations.
- Ensure compliance with international internal auditing standards.

The Information Technology Review division, which has the following responsibilities:

- Define the audit strategy and the plan for information security and information technology operations related to the Company's activities.
- Identify opportunities for the continuous improvement of systems, processes, and practices, taking into account international best practices, cost reduction, and productivity improvement.
- Analyse and evaluate strategic and operational risks related to information security and information technology activities, and prioritise audits based on implementation risks.
- Provide assurance and consulting services on information security operations, information technology and projects.
- Make recommendations to management regarding IT controls and information security.
- Perform special audit tasks as requested by management.
- Monitor the timely implementation of corrective actions related to IT observations.
- Investigate any reported cases of fraud, violation, or non-compliance with the Company's policies and procedures.
- Provide reasonable assurances of compliance with all applicable information security practices and standards to ensure data integrity and confidentiality.

e) Technology

The Technology Department shall have the following duties and responsibilities:

- Lead and direct the technology strategy development process by integrating strategies of the different divisions in line with the Company's strategy to ensure vertical alignment and horizontal integration with the strategies of the other divisions across the Company.
- Ensure the development and implementation of technology strategy and related strategic plans that are in line with the Company's vision and mission.
- Manage technological changes through the continuous improvement of systems, processes, and practices, taking into account international best practices and changes in international standards and the business environment that require proactive action plans.
- Ensure that all technology reports are prepared in a timely and accurate manner and in compliance with the requirements of the Company and division, and standards, policies, and procedures.
- Develop and oversee the implementation of technology policies, procedures, and controls covering all areas of the Division's activity so that all relevant procedural and legislative requirements are met while providing high quality and cost-effective services.
- Ensure compliance with all relevant safety, quality, and environmental management policies, procedures, and controls across the Division to ensure employees' safety, legislative compliance, and a responsible environmental position.
- Direct and supervise the development, update, and implementation of various information security practices and standards to ensure compliance and the protection of the Company's data and information.
- Ensure the timely provision of IT infrastructure and operational services to the departments of the Company and its subsidiaries.

f) Human Capital

The Human Capital Department shall have the following duties and responsibilities:

- Engage with the Office of the CEO by contributing to the formation, communication, and implementation of the Company's overall vision, mission, values, beliefs, and strategic objectives.
- Formulate and implement the strategic plan that defines the direction of the Human Capital Management Unit and implement the general strategic direction.
- Provide leadership and direction for evaluating the work of other executives within the Human Capital Management Unit.
- Direct the organisational planning process that evaluates job design, workforce planning, forecasting, and talent acquisition.
- Ensure smooth human resources operations.
- Recommend the employee relations practices necessary to create a positive employer-employee relationship and promote a high level of employee morale, engagement, and retention.
- Design a mechanism to conduct annual performance reviews of senior executives, organise review meetings, and prepare required inputs (e.g., profiles and summaries of executive/operational strengths and weaknesses).
- Advise on training programs and work closely with business units to develop and organise group-wide training programmes, including coaching and leadership training.
- Develop a succession plan for key management positions.

g) Corporate Development

The Corporate Development Department shall have the following duties and responsibilities:

- Lead and direct the development process of the Corporate Development division's strategy by integrating strategies of the different divisions in line with the Company's strategy to ensure vertical alignment and horizontal integration with other cross-divisional strategies across the Company.
- Ensure the development and implementation of the divisional strategy and related strategic plans and that they are in line with the Company's vision and mission.
- Oversee the development of the organisational structure of the Corporate Development division to ensure vertical alignment and horizontal integration within the Company's corporate structure.
- Oversee consolidation and provide recommendations on the Corporate Development budget.
- Monitor financial performance against the budget so that business is conducted based on expected costs/revenues, and identify unsatisfactory performance areas and potential cost reduction areas or performance improvement opportunities.
- Oversee activities related to the planning, management, and maintenance of security plans for operations conducted on the Company's operating systems, applications, devices, and communications.
- Direct the development and implementation of an effective and efficient risk management model for identifying, assessing, analysing, responding, monitoring, and reporting risks faced by the Company.
- Oversee activities related to managing, planning, and maintaining the Company's privacy framework in accordance with best practices and standards.
- Oversee activities related to structuring and facilitating the delivery of information and knowledge throughout the Company by integrating people and processes through technology to facilitate the exchange of operationally relevant information and experiences to enhance the Company's performance by focusing on the concept of knowledge transfer.
- Oversee the development and implementation of the Company's performance management framework to measure and improve the Company's overall performance.
- Supervise the Corporate Performance division to set evaluation guidelines and standards, monitor performance, and manage the implementation of the balanced scorecard.
- Oversee the development and implementation of the corporate governance/capacity management framework to measure and improve the Company's overall performance.
- Supervise activities related to ensuring the Company's partnership with the best available partners, the success of partnerships in achieving the commercial benefit sought by the Company, and the Company's competitive advantage in order to achieve its business objectives.

- Oversee the Strategy and Planning division to help clarify the Company's objectives, make strategic decisions with long-term business goals and objectives, and monitor progress toward objectives in order to achieve the Company's business objectives.
- Manage changes in divisions through the continuous improvement of systems, processes, and practices, taking into account international best practices and changes in international standards and the business environment that require proactive action plans.
- Ensure that all reports of the Corporate Development division are prepared in a timely and accurate manner and in compliance with the requirements of the Company and the division, and standards, policies, and procedures.
- Develop and oversee the implementation of technology policies, procedures, and controls covering all areas of the Division's activity so that all relevant procedural and legislative requirements are met while providing high quality and cost-effective services.
- Ensure compliance with all relevant safety, quality, and environmental management policies, procedures, and controls across the Division to ensure employees' safety, legislative compliance, and a responsible environmental position.
- Direct and supervise the development, update, and implementation of various information security practices and standards to ensure compliance and the protection of the Company's data and information.

h) Research and Innovation

The Research and Innovation Department shall have the following duties and responsibilities:

- Lead innovation activities driven by the Company's growth.
- Identify and define corporate innovation, entrepreneurship, corporate venture capital (CVC), research strategy, and roadmap.
- Set a research and innovation budget to be used to support innovation and entrepreneurship activities across the Company to enable innovation-driven growth.
- Build new emerging capabilities in the search framework (e.g. analytics, IoT, etc.).
- Ensure that new products and offers are introduced every year.
- Serve business units, service lines, and Product Suites through innovation and research activities as a support function and enabler for innovation.
- Develop an innovation framework, i.e., a formal approach to recording and encouraging innovation within the organization.
- Develop project building capabilities and methodologies, and acceleration capabilities to facilitate rapid development, market validation, experimentation, and other types of start-up support.
- Look for, identify, and document new and existing technologies, processes, and industry trends.
- Assess the impact of trends in technological and non-technological areas and assess the feasibility of seizing opportunities.
- Evaluate innovation opportunities and proof of concepts.
- Enhance the innovation process to be flexible and adaptable with a fast time to market.

i) Business

The Business Department shall have the following duties and responsibilities:

- Engage with the Office of the CEO by contributing to the formation, communication, and implementation of the Company's overall vision, mission, values, beliefs, and strategic objectives.
- Formulate and implement the strategic plan that defines the direction of the Business division and implements the general strategic direction.
- Provide leadership and direction to evaluate the work of other executives within the Business Department.
- Supervise and lead domain administrators, and support sales of the Company's products and services.
- Develop account plans with the deputy heads of service lines and business development assistant.
- Represent the Company before key customers and provide advice and guidance to KAMs and Sector Relationship Managers to deliver high quality solutions and services that exceed customers' expectations.

- Manage strong collaboration and frequent communication with all domain administrators and deputy heads of service lines to ensure alignment with the Company's strategic direction.
- Always be aware of the external and internal competitive position, expansion opportunities, customers, markets, new industrial developments, and standards.
- Make sure to keep up with opportunities the organization can take advantage of.
- Collaborate with the Corporate Development Department at the target annual meeting and work with service lines to meet the Company's sales and revenue targets.
- Maintain the Company's relationship with customers and provide all required support from the service lines during the sales and delivery phase.
- Manage resource allocation to ensure effective staffing.

j) Professional Services

The Professional Services Department shall have the following duties and responsibilities:

- Achieve the general strategic objectives of the organisation and contribute to the high-level and low-level objectives as determined by the strategic plans.
- Formulate and implement the strategic plan, which defines the direction of the Professional Services Department and implements the general strategic direction.
- Provide leadership and direction to evaluate the work of other executives within the Professional Services Department.
- Represent the Company before key customers and provide advice and guidance to Professional Services managers to deliver high quality solutions and services that exceed customers' expectations.
- Manage strong collaboration and frequent communication with all Professional Services managers to ensure alignment with the Company's strategic direction.
- Always be aware of the external and internal competitive position, expansion opportunities, customers, markets, new industrial developments, and standards.
- Make sure to keep up with opportunities the organization can take advantage of.
- Collaborate with the Corporate Development Department at the target annual meeting and work with the Professional Services Departments to meet the Company's sales and revenue targets.
- Oversee all Professional Services projects and operations in accordance with the directions set out in the strategic plans.
- Manage resource allocation to ensure effective staffing.
- Ensure the continuous improvement of the quality of professional services.
- Manage the Company's Professional Services business.
- Respnsibility for the profit and loss of Professional Services business.
- Provide assistance in opening new opportunities for the Company and other business units.
- Support and collaborate with other business units to open or deliver business.

k) Business Process Outsourcing

The Business Process Outsourcing Department shall have the following duties and responsibilities:

- Achieve the general strategic objectives of the organisation and contribute to the high-level and low-level objectives as determined by the strategic plans.
- Formulate and implement the strategic plan that defines the direction of the Business Process Outsourcing Department and implements the general strategic direction.
- Provide leadership and direction to evaluate the work of other executives within the Business Process Outsourcing Department.
- Represent the Company before key customers and provide advice and guidance to Business Process Outsourcing managers to deliver high quality solutions and services that exceed customers' expectations.
- Manage strong collaboration and frequent communication with all Business Process Outsourcing managers to ensure

alignment with the Company's strategic direction.

- Always be aware of the external and internal competitive position, expansion opportunities, customers, markets, new industrial developments, and standards.
- Make sure to keep up with opportunities the organization can take advantage of.
- Collaborate with the Corporate Development Department at the target annual meeting and work with Business Process Outsourcing departments to meet the Company's sales and revenue targets.
- Oversee all Business Process Outsourcing projects and operations in accordance with the directions set out in the strategic plans.
- Manage resource allocation to ensure effective staffing.
- Ensure the continuous improvement of the quality of Business Process Outsourcing services.

l) Digital Projects Group

The Digital Delivery Group Department shall have the following duties and responsibilities:

- Strengthen the Company's financial accounts:
  - Provide innovative solutions to maintain the Company's brand while contributing to the Company's top line.
  - Optimise cost while maintaining the Company's quality and security.
  - Increase revenue streams by developing existing accounts and creating new ones.
  - Increase profitability by selling/reselling platform-based solutions.
- Develop business and maintain sustainability.
  - Provide pre-sales services, and propose, present, and manage business lines.
  - Align push and pull with business sectors.
  - Ensure sales and revenue growth.
  - Maintain positive relationships with customers for business growth.
- Manage delivery:
  - Manage portfolios, programs, and projects.
  - Deliver existing portfolios under existing services and create more as needed.
  - Strategically manage, implement, and deliver platforms.
  - Provide the main technological shared services: Provide business intelligence, user interface/user experience services, and develop mobile phones.
  - Mainstream/consolidate existing projects and reduce time to market.
- Implement Development Operations and Finance projects:
  - Set the budget and financial control of the Development Operations Department.
  - Manage and control projects.
  - Launch cost reduction and optimisation initiatives.
- Customer Centre:
  - Enhance customer/stakeholder experience and satisfaction.
- Performance Management:
  - Ensure and improve performance to achieve organisational objectives.
- Learning and Capacity Development:
  - Participate in building strategic capabilities and initiatives.
  - Improve employee learning growth and engagement.

m) Products

The Product Group Department shall have the following duties and responsibilities:

- Engage with the Office of the CEO and contribute to the formation, communication, and implementation of the Company's overall vision, values, beliefs, and strategic objectives.
- Lead the Company's Product Service Group, which represents all of the Company's product offerings to customers and key ministries.
- Develop the Company's strategy and technology by providing guidance on product/service development.
- Collaborate closely with business sectors and lead the implementation of civil services.
- Develop and implement a strategic plan that defines the direction of the Product Suite and implements the overall strategic direction.
- Identify needs and build capabilities within the Product Suite to provide differentiated solutions to customers.
- Develop the planning of the Company's accounts by ensuring that product solutions are adequately pushed to key accounts/ministries.
- Develop a plan for service lines describing products/offers to be pushed to key customers.
- Approve product proposals before they are presented to customers.
- Design solutions for new products/services in the Product Suite.
- Price the Company's products/services offered by the Product Suite.
- Establish management processes for direction and control to ensure objectives are achieved.
- Identify, evaluate, recommend, and implement technology trends and platforms.
- Establish partnerships with suppliers.
- Lead and achieve the Product Suite's vision and strategy related to products.
- Define the Product Team's performance and growth targets and evaluate the Teams' alignment with their individual targets at intervals.
- Collaborate with the Strategy and Planning Department and the Alignment Department in business and development to set revenue/sales targets.
- Create, hire, direct, lead, and manage a Product Suite with sufficient capabilities and size to achieve objectives.

n) Absher

The Absher Department shall have the following duties and responsibilities:

- Formulate and implement the strategic plan that defines the direction of the Absher Unit and implements the general strategic direction.
- Provide leadership and direction for evaluating the work of other executives within the Absher Unit.
- Achieve the general strategic objectives of the organisation and contribute to the high-level and core objectives as determined by the strategic plans.
- Form, hire, direct, lead, and properly manage Absher with the sufficient capacity and size to achieve objectives.
- Supervise all Absher projects, products, and operations in accordance with strategic plans.
- Collaborate with Product Suites and provide the required integration between Absher and the products.
- Evaluate the success of the system and take corrective action.
- Make sure to keep up with opportunities the organization can take advantage of.
- Ensure the continuous improvement of Absher's quality.
- Undertake any other responsibilities as may be assigned by the Chairman or CEO.
- Always be aware of external and internal competitive position, expansion opportunities, customers, markets, new industrial developments, and standards.
- Collaborate with other units to deliver omni-channel solutions and maximise sales value.

- Maximise convergence and service in Absher to achieve the Company's strategic objectives in the platforms.
- Maintain and achieve targeted sales and revenue.

5-5-2 Members of Executive Management

The following table shows the details of the Company's executive management:

Table (5-27): The Company's Executive Management

#	Name	Position	Nationality	Age	Date of Appointment	Share Ownership Pre-Offering	Share Ownership Post-Offering
1.	Abdulrahman Saad Saadan Al Jadhi	CEO	Saudi	53 years	01/02/1427H (corresponding to 01/03/2006G)	N/A	N/A
2.	Majed Faleh Rakan Al Otaibi	CEO of Tabadul	Saudi	37 years	09/04/1443H (corresponding to 14/11/2021G)	N/A	N/A
3.	Othman Mohammed Abdullah Al Tuwaijri	Deputy CFO	Saudi	36 years	16/06/1439H (corresponding to 04/03/2018G)	N/A	N/A
4.	Majed Saad Mohammed Al Arefi	Vice President of Marketing	Saudi	45 years	14/04/1431H (corresponding to 30/03/2010G)	N/A	N/A
5.	Fares Hamad Fares Al Fares	Vice President of Shared Services	Saudi	43 years	16/11/1426H (corresponding to 18/12/2005G)	N/A	N/A
6.	Abdulaziz Abdullah Mo-hammed Al Haidari	Chief Internal Auditor	Saudi	40 years	18/10/1429H (corresponding to 18/10/2008G)	N/A	N/A
7.	Mohammed Abdulkarim Abdulrahman Al Mu-haimid	Vice President of Digital Custom Solution	Saudi	59 years	16/10/1431H (corresponding to 25/09/2010G)	N/A	N/A
8.	Munir Owaish Rahim Al Fahidi	Vice President of Human Capital	Saudi	45 years	10/07/1431H (corresponding to 22/06/2010G)	N/A	N/A
9.	Salem Saud Ibrahim Al Ghaslan	Vice President of Technology	Saudi	61 years	19/05/1424H (corresponding to 19/07/2003G)	N/A	N/A
10.	Abdulaziz Saad Abdulaziz Al Tamami	Vice President of Corporate Development	Saudi	56 years	17/05/1431H (corresponding to 01/05/2010G)	N/A	N/A
11.	Riad Souissi	Vice President of Research and Innovation	French	47 years	10/12/1431H (corresponding to 17/11/2010G)	N/A	N/A
12.	Nasser Zaid Abdulrahman Al Mashari	Vice President of Business	Saudi	56 years	29/06/1432H (corresponding to 01/06/2011G)	N/A	N/A
13.	Bassam Nasser Ali Al Muhaidib	Vice President of Operations Outsourcing	Saudi	39 years	11/08/1434H (corresponding to 20/06/2013G)	N/A	N/A
14.	Mohammed Abdulaziz Ibrahim Al Omair	Vice President of Digital Products	Saudi	45 years	09/08/1423H (corresponding to 15/10/2002G)	N/A	N/A

15.	Fahd Issa Ibrahim AlShatri	Vice-President of the Investment Sector and Acting Vice-President of the Professional Services Sector	Saudi	53 years	18/04/1431 (corresponding to 03/04/2010G)	N/A	N/A

Source: The Company

5-5-3 Employment Contracts with the CEO and Deputy CFO

The following table shows a summary of the employment and service contracts between the Company and the CEO and Deputy CFO:

Table (5-28): Summary of Employment and Service Contracts with the CEO and Deputy CFO

Name	Position	Date of Contract	Term of Contract
Abdulrahman Saad Saadan Al Jadhi	CEO	07/05/1439H (corresponding to 01/01/2018G)	Three (3) Gregorian years, automatically renewed
Othman Mohammed Abdullah Al Tuwaijri	Deputy CFO	16/06/1442H (corresponding to 04/03/2021G)	One (1) Gregorian year, automatically renewed

Source: The Company

5-5-4 Summary Biographies of the Members of the Executive Management

Following are the summary biographies of the members of the executive management:

Table (5-29): Summary Biography of Abdulrahman Saad Saadan Al Jadhi

Name	Abdulrahman Saad Saadan Al Jadhi
Position	CEO
CV	Refer to Section 5-4-2(c) "**Summary Biographies of the Members of the Investment Committee**" of this Prospectus.

Source: The Company

Table (5-30): Summary Biography of Majed Faleh Rakan Al Otaibi

Name	Majed Faleh Rakan Al Otaibi
Age	37 years
Nationality	Saudi
Position	CEO of Tabadul
Academic Qualifications	• Masters of Technology Management, University of Illinois, United States of America, 2010G. • Bachelor of Information System, King Saud University, KSA, 2006G
Current Positions	• CEO of the Saudi Company for Exchanging Digital Information (Tabadul), a Saudi closed joint stock company, technology sector, 2021G to date.
Select Past Professional Experience	• Director of Business Solutions at the Company, from 2018G to 2021G. • Executive Manager of the Labour and Social Development Sector at the Company, from 2016G to 2018G. • Manager of the Labour and Social Development Sector at the Company, during 2016G. • Head of Business Analysis for the Labour Sector at the Company from 2013G to 2016G. • Team Lead of Business Analysis for the Labour Sector at the Company from 2011G to 2013G. • Project Manager at the Company, during 2011G. • Business Analyst at the Company from 2010G to 2011G. • Contractor for Oracle ERP at the Saudi Telecom Company, a listed company working in the telecom industry, from 2006G to 2008G.

Source: The Company

Table (5-31): Summary Biography of Othman Mohammed Abdullah Al Tuwaijri

Name	Othman Mohammed Abdullah Al Tuwaijri
Age	36 years
Nationality	Saudi
Position	Deputy CFO
Academic Qualifications	• Bachelor of Accountancy, King Saud University, KSA, 2007G. • Fellowship, Saudi Organization for Certified Public Accountants (SOCPA), KSA, 2015G.
Current Positions	• Deputy CFO, the Company, 2019G to date. • Member, Audit Committee, Red Sea Cruises Company, a one-person Saudi closed joint stock company, cruises sector, 2021G to date.
Select Past Professional Experience	• Chief Financial Officer, the Company, 2018G to 2019G. • Audit Manager and Licensed Partner, Ernst & Young Chartered Accountants, a Saudi professional company, accounting and financial advisory service sector, 2016G to 2018G. • Assistant Audit Manager, Ernst & Young Chartered Accountants, a Saudi professional company, accounting and financial advisory service sector, 2014G to 2016G. • Chief Auditor, Ernst & Young Chartered Accountants, a Saudi professional company, accounting and financial advisory service sector, 2011G to 2014G. • Auditor, Ernst & Young Chartered Accountants, a Saudi professional company, accounting and financial advisory service sector, 2007G to 2011G.

Source: The Company

Table (5-32): Summary Biography of Majed Saad Mohammed Al Arefi

Name	Majed Saad Mohammed Al Arefi
Age	45 years
Nationality	Saudi
Position	Vice President of Marketing
Academic Qualifications	• Bachelor of Business Administration, King Saud University, KSA, 1997G.
Current Positions	• Vice President of Marketing, the Company, 2018G to date.
Select Past Professional Experience	• Manager of Marketing, the Company, 2010G to 2018G. • Assistant General Manager of Leasing, Mohammed Al Habib Real Estate Company, a Saudi limited liability company, real estate development sector, 2007G to 2010G. • Manager of Service Development (SaudiNet), STC, a Saudi listed joint stock company, telecommunications and Internet service sector, 2001G to 2007G. • Deputy Managing Director, General Electric, a US listed joint stock company, industry and energy sector, 1997G to 2001G.

Source: The Company

Table (5-33): Summery Biography of Fares Hamad Fares Al Fares

Name	Fares Hamad Fares Al Fares
Position	Vice President of Shared Services
CV	Refer to Section 5-3-6 "**Summary Biographies of the Directors and Board Secretary**" of this Prospectus.

Table (5-34): Summary Biography of Abdulaziz Abdullah Mohammed Al Haidari

Name	Abdulaziz Abdullah Mohammed Al Haidari
Age	40 years
Nationality	Saudi
Position	Vice President of Internal Audit
Academic Qualifications	• Master of Information Technology, California State University, USA, 2016G. • Master of Professional Accounting, King Saud University, KSA, 2012G. • Bachelor of Accountancy, King Saud University, KSA, 2001G.
Current Positions	• Chief Executive Auditor, the Company, 2017G to date. • Member, Audit Committee, National Bonds Corporation, a closed joint stock company, finance and investment sector, 2021G to date. • Member, Audit Committee, Saudi Information Technology Company (SITE), a closed joint stock company, information technology and security sector, 2020G to date. • Chairman, Audit Committee, Mask Logistics, a limited liability company, workforce logistics solutions sector, 2018G to date. • Member, Internal Audit Committee, Maharah Human Resources, a Saudi listed joint stock company, human resources sector, 2018G to date. • Member, Internal Audit Committee, Leejam Sports Company, a Saudi listed joint stock company, sports equipment and clubs sector, 2018G to date.
Select Past Professional Experience	• Director, Internal Audit, the Company, 2012G to 2016G. • Internal Auditor, the Company, 2008G to 2011G. • Accountant, Ministry of Interior, a Saudi ministry, internal security sector, 2003G to 2007G. • Assistant Accountant, Baad Company, a Saudi company, communications sector, 2001G to 2002G.

Source: The Company

Table (5-35): Summary Biography of Mohammed Abdulkarim Abdulrahman Al Muhaimid

Name	Mohammed Abdulkarim Abdulrahman Al Muhaimid
Age	59 years
Nationality	Saudi
Position	Vice President of Digital Custom Solution
Academic Qualifications	• Ph.D. in Electrical and Computer Engineering, University of Pittsburgh, USA, 1997G. • Master of Computer Engineering, Syracuse University, USA, 1988G. • Bachelor of Electrical Engineering, King Saud University, KSA, 1985G.
Current Positions	• Deputy President of Technology, the Company, 2016G to date. • Member, Board of Trustees, Almaarefa University, a Saudi private university, higher education sector, 2013G to date. • Member, Advisory Board, College of Computers, Qassim University, a Saudi public university, higher education sector, 2014G to date.

Select Past Professional Experience	• Executive Director of Technology, the Company, 2016G. • Executive Director, Start-up Unit, the Company, 2014G to 2016G. • Executive Director, Electronic Services Business Unit, the Company, 2010G to 2014G. • Director, Obeikan, a Saudi-Emirati company, e-learning sector, 2009G to 2011G. • Technology Manager, Obeikan Education, a Saudi-Emirati company, education sector, 2010G. • General Manager, Technology, Obeikan Research and Development, a Saudi-Emirati company, research and development sector, 2009G to 2010G. • General Manager, Obeikan Education, a Saudi-Emirati company, education sector, 2006G to 2009G. • Training and E-Learning Manager, Obeikan Research and Development, a Saudi-Emirati company, e-learning sector, 2005G to 2006G. • Assistant Professor, College of Computer and Information Sciences, King Saud University, a Saudi public university, higher education sector, 1997G to 2005G. • Head, the Advisory Committee, Saudi Computer Society, a Saudi society, computer engineering sector, 2001G to 2005G. • Head of the Academic Guidance Team, Jeddah International Training Institute, a Saudi private educational institution, training sector, 2003G to 2005G. • Chairman of the Employment Committee, College of Computer and Information Sciences, King Saud University, a Saudi public university, higher education sector, 2004G to 2005G. • Vice President of the Signal Processing Association, Saudi Branch, Institute of Electrical and Electronics Engineers, New Jersey, USA, 2004G to 2005G. • Member, Technical Committee for the of Establishment Qassim University, a public university, higher education sector, 2003G to 2004G. • Consultant, National Information Technology Plan Project, a Saudi project, information technology sector, 2002G to 2003G. • Emergency Plan Supervisor, National Information Technology Plan Project, a Saudi project, information technology sector, 2002G to 2003G. • Chairman, Long-Term Vision Committee, National Information Technology Plan, a Saudi project, information technology sector, 2003G. • Chairman, Five-Year Plan Committee, National Information Technology Plan Project, a Saudi project, information technology sector, in 2003G. • Vice Dean, College of Computer and Information Sciences, King Saud University, a Saudi public university, higher education sector, 2000G to 2002G. • Executive Member, Advisory Committee, King Salman Library, King Saud University, a Saudi university, higher education sector, 2001G to 2002G. • Head of the Advisory Team, Ministry of Health, a Saudi ministry, health sector, 1999G to 2000G. • Member, Council of the College of Computer and Information Sciences and Advisor to the Research Center, King Saud University, a Saudi university, education sector, 2000G to 2002G. • Member, Executive Committee, King Abdullah Institute For Research and Consulting Studies, King Saud University, a Saudi public university, higher education sector, 1998G to 2002G. • Representative of the College of Computer and Information Technology in the University and Society Week, King Saud University, a Saudi public university, higher education, 1999G. • Head of the Social Activity Committee, the Department of Computer Engineering and Information Technology, King Saud University, a Saudi public university, higher education, 1997G. • Teaching Assistant, King Saud University, a Saudi public university, higher education sector, 1985 to 1986G.

Source: The Company

Table (5-36): Summary Biography of Munir Owaish Rahim Al Fahidi

Name	Munir Owaish Rahim Al Fahidi
Age	45 years
Nationality	Saudi
Position	Vice President of Human Capital
Academic Qualifications	• Master of Human Resources, Arab East Colleges, KSA, 2018G. • Bachelor of Public Relations and Media, King Saud University, KSA, 2000G.
Current Positions	• Vice President of Human Capital, the Company, 2010G to date.
Select Past Professional Experience	• Manager of Human Resources, Al Afdal Company (a member of Abdul Latif Al Issa Auto Group), a Saudi company, car rental sector, 2004G to 2010G. • Human Resources Supervisor, Jarir Marketing Company, a Saudi listed joint stock company, retail and wholesale sector, 2000G to 2004G.

Source: The Company

Table (5-37): Summary Biography of Salem Saud Ibrahim Al Ghaslan

Name	Salem Saud Ibrahim Al Ghaslan
Age	61 years
Nationality	Saudi
Position	Vice President of Technology
Academic Qualifications	• Bachelor of Computer Science, Indiana State University, USA, 1985G.
Current Positions	• Vice President of Technology, the Company, 2020G to date.
Select Past Professional Experience	• Senior Advisor to the Chief Technology Officer, the Company, 2017G to 2020G. • Executive Manager of Absher E-Services, the Company, 2014G to 2017G. • Leader of the Technical Partnership Consulting Team, the Company, 2012G to 2014G. • Manager of Phase II Public Database Program, the National Information Center, 2011G to 2012G. • Cooperative Director delegated by Elm for the Information Center to manage the Comprehensive Issues Project at the National Information Center, 2011G to 2012G. • Manager of Information Technology Services and Consultations, the Company, 2011G to 2012G. • Chief Technology Advisor, the Company, 2007G to 2011G. • Manager of Information Technology, the Company, 2003G to 2007G. • Manager of the Public Database Program, the National Information Center, a Saudi government centre, information sector, 2001G to 2003G. • Chief Data and Network Security Technician, the National Information Center, a Saudi government centre, information sector, 1997G to 2001G. • Manager of Information Technology, Arabian Pipes Company, a Saudi listed joint stock company, pipeline manufacturing sector, 1994G to 1997G. • Systems Security and Operating System Programmer, National Information Center, a Saudi government centre, information sector, 1992G to 1994G. • Manager of Information Security Systems, National Information Center, a Saudi government centre, information sector, 1988G to 1992G. • Central Computer Operations Supervisor, National Information Center, a Saudi government centre, information sector, 1986G to 1987G.

Source: The Company

Table (5-38): Summary Biography of Abdulaziz Saad Abdulaziz Al Tamami

Name	Abdulaziz Saad Abdulaziz Al Tamami
Age	56 years
Nationality	Saudi
Position	Vice President of Corporate Development
Academic Qualifications	• Ph.D. in Computer Engineering, University of Bradford, UK, 1995G. • Master of Real-Time Systems, University of Bradford, UK, 1990G. • Bachelor of Computer Engineering, King Saud University, KSA, 1987G.
Current Positions	• Vice President of Corporate Development, 2017G to date.
Select Past Professional Experience	• Vice President of Corporate Relations, 2012G to 2017G. • Chief Technical Officer, the Company, 2010G to 2012G. • General Manager of Business Management Technology, Saudi Telecom Company (STC), a Saudi listed joint stock company, communications sector, 2008G to 2010G. • General Manager of Resource Planning and Electronic Services, STC, a Saudi listed joint stock company, communications sector, 2006G to 2007G. • General Manager of Planning and Resources, STC, a Saudi listed joint stock company, communications sector, 2005G to 2006G. • Advisor to the Vice President and Manager of Information Technology Engineering and Integration, STC, a Saudi listed joint stock company, communications sector, 2003G to 2005G. • Manager of Information Technology Engineering and Integration, STC, a Saudi joint stock company, communications sector, 2001G to 2003G. • Manager of Information Technology Consulting and Studies, STC, a listed Saudi joint stock company, communications sector, 2000G to 2001G. • Assistant Manager of Information Technology Consulting and Studies, STC, a Saudi listed joint stock company, communications sector, 1999G to 2000G. • Manager of the Technical Training and Technology Transfer Program, STC, a listed Saudi joint stock company, communications sector, 1998G to 1999G. • Chief of Computer Division, Riyadh College of Technology, a Saudi educational institution, technical and vocational education sector, 1996G to 1998G. • Assistant Professor, Computer Engineering, Riyadh College of Technology, a Saudi educational institution, technical and vocational education sector, 1995G to 1996G. • Teaching Assistant, Riyadh College of Technology, a Saudi educational institution, technical and vocational education sector, 1987G to 1988G.

Source: The Company

Table (5-39): Summary Biography of Riad Souissi

Name	Riad Souissi
Age	47 years
Nationality	French
Position	Vice President of Research and Innovation
Academic Qualifications	• Master of Communication and Information Systems, École Centrale Paris, France, 1996G. • Bachelor of Communication and Information Systems, École Centrale Paris, France, 1995G.
Current Positions	• Information Manager, Axis, an Indonesian company, communications sector, 2008G to date. • Acting Vice President of Research and Innovation, the Company, 2020G to date.
Select Past Professional Experience	• General Manager of Research, the Company, 2018G to 2020G. • General Manager of Development, the Company, 2010G to 2018G. • Manager of Integration Development, STC, a Saudi listed joint stock company, communications sector, 2004G to 2008G.

Source: The Company

Table (5-40): Summary Biography of Nasser Zaid Abdulrahman Al Mashari

Name	Nasser Zaid Abdulrahman Al Mashari
Age	56 years
Nationality	Saudi
Position	Vice President of Business
Academic Qualifications	• Ph.D. in Information Security, Florida Tech, USA, 2004G. • Master of Computer Engineering, King Saud University, KSA, 1996G. • Bachelor of Computer Engineering, King Saud University, KSA, 1989G.
Current Positions	• Director, National Solutions Company, a Saudi limited liability company, information technology sector, 2020G to date. • Director, Sahl Al Madar Trading Company, a Saudi limited liability company, information technology sector, 2020G to date. • Member of the Steering Board on Strategic Direction, Princess Nourah bint Abdulrahman University, a Saudi public university, education sector, 2020G to date. • Member of the Advisory Board, Majmaah University, a Saudi public university, education sector, 2019G to date. • Member of the Advisory Board, Al Yamamah University, a Saudi private university, education sector, 2019G to date. • Vice President of Business, the Company, 2017G to date.
Select Past Professional Experience	• Vice President of Training Solutions, the Company, 2013G to 2020G. • Business development Advisor, Axir Health Systems, a private Saudi company, health technology sector, 2011G to 2013G. • Chief Technology Officer and Advisor to His Highness the Deputy Foreign Minister for Technical Affairs, Ministry of Foreign Affairs, a Saudi ministry, foreign affairs of the Kingdom, 2009G to 2011G. • Team Leader of the Command, Control, Communications, Computer and Intelligence Project, Ministry of Defense, a Saudi ministry, defence sector, 2008G to 2010G. • Privacy and Information Security Officer, the Company, 2006G to 2010G. • Information Security Advisor, SAUDI CERT, the Communications and Information Technology Commission, a Saudi entity, communications and information technology sector, 2006G to 2009G. • Assistant Professor, Institute of Public Administration, a Saudi educational institution, education and training sector, 2004G to 2008G. • Technical Advisor, King Fahad Medical City, a Saudi government hospital, health sector, 2004G to 2008G. • Technical Advisor, Yesser, Ministry of Communications and Information Technology, a Saudi ministry, communications and information technology sector, 2006G to 2007G. • Technical Advisor, Strategic Missile Forces, Ministry of Defense, a Saudi ministry, defence sector, 2005G to 2007G. • Information Security Advisor, Public Security, a Saudi government entity, public security sector, 2005G to 2007G. • Faculty Member, College of Computer and Information Technology, King Saud University, a Saudi public university, higher education sector, 2004G to 2006G. • Manager of Technology, Information, and Network Security, Florida Tech Company, a company owned by Florida Tech, aviation services sector, 2000G to 2004G. • Technical Advisor, Saleh Al-Rajhi Endowment, a Saudi endowment company, charity, real estate and agriculture sectors, 1998G to 1999G. • Lecturer, Institute of Public Administration, a Saudi educational institution, education sector, 1996G to 1999G. • Network Engineer and Manager of Local Communications, General Department of Technical Affairs, Ministry of Interior, a Saudi ministry, internal security sector, 1992G to 1996G. • Teaching Assistant, College of Computer and Information Technology, King Saud University, a Saudi public university, higher education sector, 1989G to 1991G.

Source: The Company

Table (5-41): Summary Biography of Bassam Nasser Ali Al Muhaidib

Name	Bassam Nasser Ali Al Muhaidib
Age	39 years
Nationality	Saudi
Position	Vice President of Business Process Outsourcing
Academic Qualifications	• Bachelor of Mechanical Engineering, King Saud University, KSA, 2007G. • Diploma in Leaders Program, GE University, Italy, 2012G.
Current Positions	• Vice President of Business Process Outsourcing, the Company, 2020G to date.
Select Past Professional Experience	• Deputy CEO, Emdad Al Khebrat, a limited liability company, human resources sector, 2018G to 2020G. • Manager of Projects and Portfolios, the Company, 2019G to 2020G. • Manager of Operations, Business Process Outsourcing, the Company, 2015G to 2017G. • Program Manager, the Company, 2013G to 2015G. • Manager of Projects and Services, Saudi General Electric - Al-Tamimi, a Saudi limited liability company, manufacturing sector, 2007G to 2013G.

Source: The Company

Table (5-42): Summary Biography of Mohammed Abdulaziz Ibrahim Al Omair

Name	Mohammed Abdulaziz Ibrahim Al Omair
Age	45 years
Nationality	Saudi
Position	Chief Executive of Digital Products
Academic Qualifications	• Bachelor of Systems Analysis, King Saud University, KSA, 2000G.
Current Positions	• Vice President of Product Suite, the Company, 2016G to date.
Select Past Professional Experience	• Executive Manager of E-Services, the Company, 2012G to 2016G. • Manager of Electronic Services Sales, the Company, 2011G to 2012G. • Manager of Marketing and Business Solutions, the Company, 2008G to 2011G. • Marketing Manager, the Company, 2005G to 2008G. • Executive Marketing Officer, the Company, 2002G to 2005G.

Source: The Company

Table (5-43): Summary Biography of Fahd Issa Ibrahim AlShatri

Name	Fahd Issa Ibrahim AlShatri
Age	53 years
Nationality	Saudi
Position	Vice-President of the Investment Sector and Acting Vice-President of the Professional Services Sector
Academic Qualifications	• Bachelor of Software Engineering, Business and Information Technology College, United Kingdom, 2003G. • Diploma of Computer Science, Public Administration Institute, KSA, 1994G.
Current Positions	• Vice-President of the Investment Sector, the Company, 2021G to date.

Select Past Professional Experience	• General Manager for Financial and Digital Transformation Sector at the Company during 2021G. • General Manager for the Public Investment Fund Sector at the Company from 2018G to 2020G. • Business Development and Sales Manager at the Company from 2011G to 2018G. • Assistant Manager for Government Solutions at the Company from 2010G to 2011G. • Vice President for Marketing and Sales at the Security Technology Company, a private company working in the information technology sector, from 2007G to 2010G. • Sales Manager at the Security Technology Company, a private company working in the information technology sector, from 2004G to 2006G. • Government Sector Sales Manager at the Security Technology Company, a private company working in the information technology sector, from 2003G to 2004G. • Marketing and Sales Manager at the Mutarabet Company for Computer Systems, a private company working in the information technology sector, from 2003G to 2004G. • Executive Manager at Arasov, private company working in the information technology sector, from 1998G to 2002G. • Software Analyst at the Saudi Royal Airforce, from 1995G to 2002G. • System Analyst at Al-Rajhi Bank, a joint stock company working in the banking sector, from 1993G to 1995G. • Computer Trainer at Al-Rajhi Bank, a joint stock company working in the banking sector, from 1992G to 1993G, • Supervisor at Al-Rajhi Bank, a joint stock company working in the banking sector, from 1991G to 1992G,

Source: The Company

5-6 Events of Bankruptcy and Insolvency Involving the Directors and Executive Management

As at the date of this Prospectus, there are no bankruptcy events involving the Directors, executive management, or the Secretary. There has also been no declaration, within the last five years, of any insolvency in any company in which any of the Directors, executive management, or the Secretary held an administrative or supervisory position.

5-7 Direct and Indirect Interests of the Directors and Executive Management

Except as disclosed in Section 5.3 "**Board of Directors**", Section 5.5.2 "**Members of Executive Management**", and Section 12.7 "**Agreements with Related Parties**" of this Prospectus, none of the Directors, executive management, or the Secretary, or any relatives thereof, have a direct or indirect interest in the shares and debt instruments of the Company and its subsidiaries, if any, or any interest in any other matter, which would impair the business of the Company.

Except as disclosed in Section 12.7 "**Agreements with Related Parties**" of this Prospectus, none of the Directors, executive management, or the Secretary, or any relatives thereof, have any interest in any contract or arrangement in effect or to be entered into in relation to the business of the Company and the subsidiaries as at the date of this Prospectus.

5-8 Remuneration of Directors and Executive Management

The following table shows the details of the in-kind remuneration and benefits granted by the Company and its subsidiaries during the previous three financial years to the Directors and the five (5) members of executive management who received the highest remuneration and compensation from the Company and its subsidiaries, including the CEO and CFO:

Table (5-44): Remuneration of Directors and Executive Management During the Financial Years Ended 2018G, 2019G, and 2020G

SAR	FY 2018G	FY 2019G	FY 2020G
Directors	837,000	849,000	831,000
Five Members of the executive management, including the CEO and CFO	17,129,474	13,367,820	15,876,631

Source: The Company

5-9 Corporate Governance

The Company adopted its Internal Governance Manual and the related regulations by virtue of the Board resolution dated 25/03/1437H (corresponding to 31/10/2021G) in accordance with Article 94 of the Corporate Governance Regulations. The Company also approved the Charter of the Audit Committee pursuant to the Ordinary General Assembly resolution dated 12/03/1443H (corresponding to 18/10/2021G), in accordance with Article 54 of the Corporate Governance Regulations, and the Charter of the Nomination and Remuneration Committee pursuant to the Extraordinary General Assembly resolution dated 20/04/1443H (corresponding to 25/11/2021G), in accordance with Articles 60 and 64 of the Corporate Governance Regulations. In addition, the Extraordinary General Assembly approved on 20/04/1443H (corresponding to 25/11/2021G) the Nomination Policy and Standards for the candidacy of the membership of the Board of Directors, Remuneration Policy for the members of the Board and Committees and Dividend Distribution Policy. The Company's Internal Governance Manual and related regulations include provisions related to the following:

- rights of shareholders;
- the Board of Directors, including the Board's formation, membership, meetings, work procedures, competencies, powers, and remuneration;
- the Company's committees, including their formation, membership rules, meetings, work procedures, competencies, powers, and remuneration;
- executive management;
- control, internal audit, and auditor;
- the Disclosure and Transparency Policy;
- internal policies; and
- document archiving.

It should be noted that all current members of the Board of Directors (which consists of nine (9) members, of whom six (6) members have been elected) are non-independent members, and there are three (3) vacant seats on the Board of Directors. Accordingly, the Board is not in compliance with the requirements of Article 16 of the Corporate Governance Regulations. Under this Article, the number of independent board members may not be less than two members or one-third of the members, whichever is greater. Since the current number of Directors pursuant to the Bylaws is nine (9), the Company must appoint at least three (3) independent Directors. In addition, the Audit Committee consists of four (4) members with no independent Directors, in violation of Article 54 of the Corporate Governance Regulations. This Article provides that an audit committee shall have at least one independent member. The Nomination and Remuneration Committee consists of four (4) non-independent members which is not in compliance with the requirements of Articles 60 and 64 of the Corporate Governance Regulations, which stipulate that a nomination and remuneration committee shall have at least one independent member who shall be the chairman. Accordingly, the Company is striving to comply with the independence requirements, taking into account the stability of the Board's composition during the Offering and Listing of the Company's shares.

Therefore, the Company undertakes the following(for more information about the Company's Undertakings in relation to compliance with the Corporate Governance Regulations, please see Section 15 "**The Company's Post-Listing Undertakings**" of this Prospectus):

- The composition of the Board shall remain unchanged until the Company is listed on the Exchange to ensure the stability of the Board during this important stage. This is because the current Directors are familiar with the Company's business.
- The Company shall start the necessary procedures within a period of no more than thirty (30) days from the date of the Company's Listing by nominating three (3) members who meet the independence requirements to fill the vacant seats on the Board of Directors. The Company shall open nominations and then call for a meeting of the General Assembly in accordance with the applicable regulatory criteria and procedures in this regard, including that the election shall be by cumulative vote. The Substantial Shareholder shall not have a special right to appoint and nominate and shall suffice with the rights granted by law to all shareholders in this regard.
- The Company shall appoint an independent member to the vacant seat of the Audit Committee to fulfil the requirements of the Corporate Governance Regulations that such committee include at least one independent member.
- The Company shall appoint an independent member as chairman of the Nomination and Remuneration Committee to fulfil the requirements of the Corporate Governance Regulations that such committee include at least one independent member.

5-10 Conflicts of Interest

Neither the Company's Bylaws nor any of its internal regulations or policies grant any powers enabling a Director to vote on a contract or offer in which they have a vital direct or indirect interest. Pursuant to Article 71 of the Companies Law, members of the Board of Directors may not have a direct or indirect interest in the transactions and contracts completed for the benefit of the Company without the permission of the General Assembly.

Pursuant to said Article, Directors must inform the Board of Directors of any personal interest they may have in transactions or contracts completed for the benefit of the Company. The Chairman of the Board of Directors shall notify the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any Director has a personal interest. Such notification shall be accompanied by a special report from the auditor. This notification shall be recorded in the minutes of the Board's meeting. Such member shall not participate in voting on the resolution to be adopted in this regard. Based on the foregoing, the Directors declare the following:

- They will comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the Corporate Governance Regulations.
- They will not vote in General Assembly meetings on contracts entered into with Related Parties if they have an interest therein, whether directly or indirectly.
- They will not compete with the Company's business, and all Related Party transactions in the future will be conducted on an arm's length basis in accordance with Article 72 of the Companies Law.
- Except as described in Section 5.7 "**Direct and Indirect Interests of Directors and Executive Management**" and Section 12.7 "**Agreements With Related Parties**" of this Prospectus, the Directors declare that there are no personal conflicts of interest with respect to the Directors or members of executive management regarding contracts or transactions with the Company, and they were not engaged in any activity competing with the Company's activities as at the date of this Prospectus.
- Except as described in Section 5.7 "**Direct and Indirect Interests of Directors and Executive Management**" and Section 12.7 "**Agreements With Related Parties**" of this Prospectus, there are no transactions in which any of the Company's Directors or members of its executive management, or any relatives thereof, have a direct or indirect personal interest, and there are no non-arm's length transactions.
- As at the date of this Prospectus, the Directors do not conduct any business that competes with the Company's business through their membership on boards of directors or shareholding in other companies.

5-11 Employee Shares

The Company does not have any employee share programs in place prior to the application for the registration and offering of securities subject of this Prospectus. None of the Company's employees owns shares in the Company a'

However, it should be noted that the Company decided to implement an employee shares program to provide the Company's key employees with incentives to attract them and retain them in order to achieve the Company's objectives, but it did not determine the conditions for such program up to the date of this Prospectus. The Extraordinary General Assembly approved on 20/04/1443H (corresponding to 25/11/2021G) the implementation of an employee shares program and authorized the Board to determine its terms including the allocation price per each share allocated to the employees, if it is for a consideration. Work is still in progress by the Board s to determine the aforementioned terms which shall be disclosed as soon as they are set.

Pursuant to the Extraordinary General Assembly dated 20/04/1443H (corresponding to 25/11/2021G) and upon the conclusion of the Listing, the Public Investment Fund will sell two million four hundred thousand (2,400,000) shares, based on the Offer Price which shall be set by through the book-building process, to the Company to be used in the employee share program. The Extraordinary General Assembly authorized the Board to complete the Company's buy-back of its shares accordingly. (for more information about the Company's employees and Saudisation compliance, please see Section 4-10 "**Employees**" of this Prospectus).

6- Management's Discussion and Analysis of Financial Condition and Results of Operations

6-1 Introduction

The Group's Management Discussion and Analysis section provides an analytical review of the Company's operational performance and financial position during the years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2020G and 30 June 2021G. This section and the accompanying notes have been prepared on the basis of the consolidated financial statements for the financial years 2018G, 2019G, and 2020G and the six-month period ended 30 June 2020G and 30 June 2021G. The financial statements have been audited in accordance with International Standards on Auditing (ISA) endorsed in the Kingdom of Saudi Arabia by KPMG Consulting Professional (formerly, KPMG Al Fozan & Partners) for the year ended 31 December 2018G, and Deloitte and Touche & Co. for the two years ended 31 December 2019G and 2020G and the six-month period ended 30 June 2020G and 30 June 2021G. The Group has applied the International Financial Reporting Standards (IFRS) endorsed in the Kingdom and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (collectively, the "**IFRS-KSA**") for the preparation of the audited financial statements for the years ended 31 December 2018G, 2019G, and 2020G and the six-month periods ended 30 June 2020G and 30 June 2021G.

Neither KPMG Professional Consulting (formerly, KPMG Al Fozan & Partners) nor Deloitte and Touche & Co., nor any of their subsidiaries, employees, or relatives thereof owns any shares or interests of any kind in the Group that may affect their independence, as at the date of the Independent Auditor's report on the financial statements. KPMG Professional Consulting (formerly, KPMG Al Fozan & Partners (KPMG)) and Deloitte and Touche & Co. (Deloitte) have given and, as at the date of this Prospectus, have not withdrawn their written consent to the reference in the Prospectus to their role as the auditor of the Group for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month periods ended 30 June 2020G and 30 June 2021G.

(The aforementioned financial statements are an integral part of this Prospectus which should be read in conjunction with these statements and their supplementary explanations. These financial statements can be reviewed in Section 18 "**Financial Statements and Chartered Accountants Report**" of this Prospectus.)

All amounts in this section have been rounded to the nearest thousand riyals unless otherwise stated, and numbers and percentages are rounded to the nearest decimal. As such, the sum of the numbers may differ from those stated in the tables. Accordingly, all annual percentages, indicators, expenses, and the compound annual growth rates (CAGRs) are based on the rounded figures.

The financial information for the financial year ended 31 December 2018G was derived from the financial information for the comparative year presented in the Company's audited financial statements for the financial year ended 31 December 2019G. The financial information for the two financial years ended 31 December 2019G and 2020G was derived from the Company's audited financial statements for the financial year ended 31 December 2020G. The financial information for the six-month periods ended 30 June 2020G and 30 June 2021G was derived from the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021G.

This section might include hypothetical statements related to the Company's future forecasts, based on the management's plans and prospects with regard to the Group's growth, results of operations, and financial position as well as related risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of numerous factors, risks, and future events, including those discussed in this section of the Prospectus or elsewhere, particularly Section 2 "**Risk Factors**" of this Prospectus.

Emdad Al Khebrat and Tabadul were defined as material subsidiaries based on their contribution to the Group's revenues and assets as set out in the analysis below.

Table (6-1): Assets by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited
Elm	2,527,226	2,907,791	3,867,667
Emdad Al Khebrat	118,164	160,412	227,050
Tabadul	-	-	663.723
Elm Technology Investment Company	-	500	18,000
Future Resources	-	50	13,474
Elm Digital Payments Company*	-	-	500

SAR'000	2018G Audited	2019G Audited	2020G Audited
Umrah Premium Services Company	-	-	-
Subtotal	**2,645,389**	**3,068,753**	**4,790,414**
Consolidation adjustments	(190,111)	(256,677)	(777,223)
Total	**2,455,279**	**2,812,076**	**4,013,191**
As a % of the subtotal			
Elm	95.5%	94.8%	80.7%
Emdad Al Khebrat	4.5%	5.2%	4.7%
Tabadul	0.0%	0.0%	13.9%
Elm Technical Investment Company	0.0%	0.0%	0.4%
Future Resources	0.0%	0.0%	0.3%
Elm Digital Payments Com-pany	0.0%	0.0%	0.0%

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Table (6-2): Revenue by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited
Elm	1,918,555	2,077,065	2,157,023
Emdad Al Khebrat	219,229	335,647	397,850
Tabadul	-	-	272,593
Elm Technical Investment Company	-	-	-
Future Resources	-	-	-
Elm Digital Payments Company*	-	-	-
Umrah Premium Services Company	-	-	-
Subtotal	**2,137,784**	**2,412,712**	**2,827,466**
Consolidation adjustments	(212,074)	(310,693)	(361,401)
Total	**1,925,710**	**2,102,019**	**2,466,065**
As a % of the subtotal			
Elm	89.7%	86.1%	76.3%
Emdad Al Khebrat	10.3%	13.8%	14.1%
Tabadul	9.6%	0.0%	0.0%
Elm Technical Investment Company	0.0%	0.0%	0.0%
Future Resources	0.0%	0.0%	0.0%
Elm Digital Payments Company	0.0%	0.0%	0.0%

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

6-2 Key Factors Affecting the Company's Operations

The below is a discussion of the most significant factors that have affected, or are expected to affect, the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all of the factors that may have an effect on the Company's business.

a) Economic factors and the Company's customers from governmental and semi-governmental entities

The Company's revenue and profit margins may be affected by changes in economic cycles in the Kingdom, which may result in a change in the expenditure policy related to digital services and projects.

The Company works with governmental and semi-governmental entities on an ongoing basis to perform a number of digital projects. In generating its revenues, the Company depends on transactions with its customers concentrated in governmental and semi-governmental entities. The Company's revenue from its transactions with governmental and semi-governmental entities accounted for 56.5%, 55.5%, 59.3%, and 66.5% of the Company's revenue for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively. The success and growth of the Company's business depend on its relationships with governmental and semi-governmental entities, which are expected to continue to account for a large percentage of the Company's revenue.

b) Pricing and cost estimation

The Company's operations are mainly affected by the pricing of digital service contracts, which in turn depends heavily on the Company's internal estimates, forecasts, and assumptions for the Company's projects and, in particular, the cost of providing the related digital services. The Group generally seeks to negotiate with suppliers to reduce underlying costs and maintain profit margins. The Company's gross profit margins amounted to 37.4%, 32.4%, 33.5% and 32.5% for the financial years ended 31 December 2018G, 2019G, and 2020G and the six-month period ended 30 June 2021G, respectively.

c) Income sharing on services provided under a large number of the Company's material agreements

The Company enters into material agreements with its customers, whereby it provides technology services that benefit the public or the customers of the Company's clients. The financial consideration of a large number of these agreements comprises of income sharing agreements between the Company and its customers for the provision of these services to third parties, as may be determined by agreements concluded between the Company and its customers in this regard (for more information about such agreements, please see Section 12-6-2 "**Customer Agreements**" of this Prospectus).

d) Competition in the local market

The digital services market is intensely competitive, highly fragmented, and subject to rapid change and evolving industry standards. The Group expects competition to continue or intensify in the future. The Company also expects that many companies and entities will develop products that may currently or in the future compete with some or all aspects of the Group's platforms. The Company's competitors include major companies and established companies as well as start-ups that have not previously entered the technology market. To compete effectively, the Company makes investments in research and development, services, marketing, and sales in order to respond to competition. Moreover, one of the most appropriate solutions that enable the Company to manage the risks related to competition is to diversify the Company's business by entering into new sectors. By expanding into neighbouring international markets with similar aspects through existing services and products, and by targeting governmental entities, the Company can reduce the impact of local competition on its results of operations.

6-3 Directors' Declarations on the Financial Statements

The Directors declare that the financial information presented in this section is extracted without material change and is presented consistent with the audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G and the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021G, and the accompanying notes, which were prepared by the Group in accordance with IFRS. The above-mentioned statements have been prepared in advance by the Group in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom and audited by the Group's Auditor, KPMG Professional Consulting (formerly, KPMG Al Fozan & Partners) and Deloitte and Touche & Co.

The Directors also declare that the Group has sufficient working capital for the next twelve months following the date of this Prospectus.

The Directors declare that there has been no material change in the financial or business position of the Company during the three financial years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and during the period from the end of the period covered in the independent auditors' report to the date of this Prospectus, except as described in this section or any other section of this Prospectus, particularly the factors set forth in Section 2 "**Risk Factors**" of this Prospectus.

The Directors declare that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there is no other information, documents, or facts the omission of which would make any statement herein misleading.

The Directors declare that the Group does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position, except for financial instruments at FVPL and financial instruments at FVOCI.

The Directors confirm that the Group did not provide any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

Except as disclosed in Section 12-6-8 "**Financing Agreements**", Section 2 "**Risk Factors**", and Section 6 "**Management Discussion and Analysis of Financial Conditions and Results of Operations**" of this Prospectus, the Directors declare that the Group does not have any loans or other liabilities, whether covered by a personal guarantee or non-personal guarantee or covered by a mortgage, including bank account overdrafts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments.

The Directors declare that there is no contemplated material change to the nature of the Group's business.

The Directors declare that the Group's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last twelve months.

The Directors declare that none of the Company's shares are under option as at the date of this Prospectus. The Directors also confirm that none of the share capital of the Company's subsidiaries is under option as at the date of this Prospectus.

The Directors declare that the Group has provided comprehensive details in this section of any contingencies and has calculated and recognised a provision for the liabilities set out in the Management's Discussion and Analysis of Financial Position and Results of Operations (for more information, please see Section 9 "**Capitalisation and Indebtedness of the Company**" of this Prospectus).

The Directors declare that the properties of the Group are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus.

The Directors declare that the Group has presented comprehensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.

The Directors declare that the Group does not hold existing or approved but unissued debt instruments, term loans, or secured or unsecured mortgages, except as disclosed in Section 12-6-8 "**Financing Agreements**" of this Prospectus.

Except as disclosed in this Prospectus, neither the Directors nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries.

6-4 Summary of Significant Accounting Policies

6-4-1 Basis of preparation

a) Applicable accounting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.

b) Basis for consolidation of the financial statements

The accompanying consolidated financial statements include the Group's financial statements.

Subsidiaries are entities controlled by the Group. The Company controls an entity when it has power over the investee and when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

All intra-group balances, material transactions, income, and expenses are eliminated on the consolidation of the financial statements.

Non-controlling interests in the net assets of a subsidiary is recognised separately from the Company's equity. As the subsidiaries are wholly owned by the Company, there are no non-controlling interests to disclose.

The accounting policies approved by the subsidiaries are consistent with the Group's accounting policies. When necessary, adjustments are made to subsidiaries' financial statements to conform to the Group's financial statements.

c) Basis of measurement

The consolidated financial statements have been prepared on the basis of the historical cost principle, except for the accruals of employee defined benefit obligations, which are calculated at the present value of future obligations and other financial assets, which are measured at fair value and presented at FVTOCI and FVTPL.

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi riyals, which is the Group's functional currency.

e) Use of assumptions and estimates

Critical accounting judgements in the application of accounting policies

Following are the critical judgements, apart from those involving estimations, that the Group's management has made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

The Group's defined benefit obligation is discounted at a rate set by reference to the financial market yields on the pension obligations index for a period equal to the obligation period as at the end of the reporting period. Significant judgements are required when setting the criteria for the yield derivation including the state risk premium and determining which adjustments are excluded.

Use of assumptions and estimates

To prepare consolidated financial statements in accordance with IFRS, it is necessary to use estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent liabilities as at the date of the consolidated financial statements, and the amounts of income and expenses during the reporting period. While these estimates are based on management's knowledge of current events and procedures, actual results may ultimately differ from those estimates due to circumstances beyond the Group's control.

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

Below are the significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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

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

Assumptions used in estimating the impairment of non-current assets

To determine the impairment of non-current assets, it is necessary to identify the value in use of the non-current assets or the cash-generating unit to which the non-current assets belong. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the non-current assets or CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment loss may be material when actual future cash flows are less than expected.

Provision for expected credit loss

The estimate of the Expected Credit Losses (ECL) provision is calculated in accordance with the accounting policy detailed in the Measurement and Recognition of Expected Credit Loss section.

When measuring ECL, the Group uses forward-looking information that is based on assumptions of the future drivers of various economic factors and how those drivers affect each other. The Group also uses estimates to calculate loss ratios.

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

ECLs are recognised in the consolidated statement of profit and loss and other comprehensive income. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss and other comprehensive income.

Assumptions used in determining the value of employee defined benefit obligations

The Group has made various estimates to determine the actuarial value of employee defined benefit obligations (For more information on employee benefits, please see Section 6-4-2 (o) "**Employee Defined Benefit Obligations**" of this Prospectus).

Assumptions used in measuring revenue

During 2020G, the Group revised the estimates related to the revenue recognition of the partnership contract with Riyadh Municipality to carry out municipal supervision and inspection. The Group estimated the revenue, taking into account that uncollected amounts were not recognised due to the lack of sufficient information or indicators of the expected collection rate for the services provided. The Group estimated the expected collection rate by analysing historical data for 2018G to 2020G to calculate the expected collection rate. Accordingly, the revenue was recognised on the basis of the expected collection. These estimates resulted in additional revenues of SAR 18.1 million. If these estimates change for the coming years, revenue will be affected accordingly.

6-4-2 Significant accounting policies

Below are the significant accounting policies adopted by the Group in preparing its consolidated financial statements:

a) "Current" versus "non-current" classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

All liabilities are current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

b) 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 primary or most useful 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 best economic interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are within the hierarchy of the fair value levels which are described below and based on significant lowest level inputs to the fair value measurement in its entirety:

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Business combinations for entities under single control

Business combinations that include a single controlled business and do not include consideration are accounted for using the pooling-of-interests method, in which assets and liabilities are recognised at their book value in the acquirer's books. Business combinations that include a single controlled business and consideration are accounted for using the accounting acquisition method. Post-acquisition consolidated financial statements are presented from the announced date of combination, without merging or restating the comparative year figures. No goodwill resulting from the acquisition is recognised. Acquisition costs are recognised directly in equity.

d) Investment in associates

An associate is an entity over which the Group has significant influence without the power to control or jointly control it. Significant influence is the Group's power to participate in the financial and operating policies and decisions of the investee without the power to control or jointly control those policies.

Considerations in determining significant influence are holding, directly or indirectly, a percentage of the voting power of the investee, being represented on the board of directors or similar governance bodies of the investee, or participating in policy-making, including participation in decisions regarding dividend or other distributions, material transactions between the Group and the investee, the exchange of management personnel, or the provision of key technical information.

Investments in associates are accounted for in the Group's consolidated financial statements using the equity method. Under the equity method, investment in associates or joint ventures is initially recognised in the consolidated statement of financial position at cost and is subsequently adjusted to recognise the Group's share in the associate's statement profit or loss and other comprehensive income, less any impairment of the net investments. In addition, if a change is recognised directly in the associate's equity, the Group will recognise its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses in associates exceeds its interest in those associates or joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in associates or joint ventures), the Group stops recognising further losses.

Additional losses are recognised as liabilities only to the extent that the Group has legal or constructive obligations or has made payments on behalf of the associates or joint ventures.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

e) Revenue recognition

Revenue from contracts with customers

The Group recognises revenue from contracts with customers using a five-step method as set out 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 standards that must be fulfilled for each contract.

Step 2: Determine performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to each performance obligation under the contract. For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation at an amount that the Group expects to be entitled to in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when the entity fulfils the performance obligation. The Group satisfies the performance obligation and recognises revenue over time if one of the following conditions is met:

a) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date;

b) the Group's performance creates or enhances an asset controlled by the customer as the asset is created or enhanced; or

c) the customer simultaneously receives and consumes the benefits of the entity's performance as the Group performs.

For performance obligations, if any of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is fulfilled.

In the event that the Group fulfils the performance obligation by providing the promised services, this creates an asset under a contract in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognised, this may create a contractual obligation.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be reliably measured.

As for electronic products, subscription revenue is recognised over time throughout the service subscription period. Revenues of operations and the use of prepaid points are recognised at the point in time at which the service is provided.

Project revenue is recognised when contract performance obligations are fulfilled.

Following is a breakdown of the revenue recognition method for each segment and the billing mechanism for the segments:

– Product segment

Main revenue sources	Recognition method according to IFRS 15 (revenue from contracts with customers)
Product subscriptions	Over time
Daily executed operations	At a point in time
Used points	At a point in time

– Project segment

Main revenue sources	Recognition method according to IFRS 15 (revenue from contracts with customers)
Licenses and technical support	Over time
Operation support	Over time
Consulting services	At a point in time
Saudisation and training programs	At a point in time
Inspection services	Over time

Revenues are recognised on a monthly basis according to the accrual principle and charged to contract assets. Then, the billing process takes place according to the agreed-upon schedule. Meanwhile, accounts receivable are recognised and the contract asset account is discounted.

* All of this takes place if recognition precedes the billing process. However, if the payment precedes the revenue recognition process (such as subscription or advance payment amounts), the amounts recognised as revenue are discounted from the deferred revenue account or the advance payments from customers account according to revenue due dates.

f) Foreign currencies

Foreign balances and transactions

Initially, foreign currency transactions are translated by the Group's entities at the prevailing exchange rates of the relevant functional currency at the date on which the transaction first met the criteria for recognition.

Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency exchange rates at the reporting date. Differences arising from the settlement or transfer of monetary items are recognised in the consolidated statement of profit or loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are converted using the exchange rates at the date when the fair value was determined. Gains or losses arising on the conversion of non-monetary items measured at fair value are treated in accordance with the recognition of gains or losses on the change in the fair value of the item (i.e., conversion differences are recognised on items whose gains or losses are measured at fair value in other comprehensive income or consolidated statement of profit or loss, respectively).

g) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant, and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment must be replaced at intervals, the Group depreciates these parts separately over their useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of property, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset, if any, after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property, plant, and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income for the year when the asset is derecognised.

The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Projects under construction are stated at the cost incurred until the asset is prepared for the purpose for which it was built. This cost is then capitalised on the respective assets. Cost includes the cost of contractors, materials, services, and capital advances.

Following are the ages of the notional property, plant, and equipment used by the Group:

Property, Plant, and Equipment	Years of Depreciation
Leasehold improvements	5
IT devices	3–5
Buildings	25–33
Vehicles	4–5
Furniture and fixtures	4–7

h) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally developed intangible assets are capitalised.

Definite intangible assets are amortised over their estimated useful lives and are also reviewed for impairment where there is evidence suggesting such impairment. The amortisation period and method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the consolidated statement of profit or loss and other comprehensive income as an expense in line with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the CGU level. The assessment of the indefinite useful life is reviewed annually to ensure whether the assessment of the indefinite life is still supportable. Otherwise, a change will be made from "**definite useful life**" to "**indefinite useful life**" on a prospective basis.

Any gain or loss arising on the derecognition of intangible assets is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and included in the consolidated statement of profit or loss and other comprehensive income for the year when the asset is derecognised.

Computer software

Computer software is carried at cost less accumulated amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Computer software and electronic systems are amortised over a 5-year period.

i) Impairment of non-financial assets

At each consolidated reporting date, the Group assesses whether there is an indication that an asset has been impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of that asset. The recoverable amount is the higher of the fair value of the asset or CGU less costs to sell and the present value and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or GCU is considered impaired and is written down to its recoverable amount.

In assessing the present value, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group's impairment calculation is based on its budgets and business plan, which are prepared separately for each of the Group's CGU to which the individual asset is allocated. The information used in calculating budgets and forecasts usually covers a period of five years. 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 recognised in the consolidated statement of profit or loss and comprehensive income under expenses in line with the function of the impaired asset.

j) Impairment of non-financial assets

For assets, other than goodwill, an assessment is made at each reporting date to confirm whether there is any indication that there are no or reduced impairment losses previously recognised. Where such evidence is available, the Group estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed if, and only if, there is a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. The reversal of the recognition is limited so that the carrying amount of the asset does not exceed the recoverable amount and carrying amount that would have been determined - net of depreciation - had the impairment loss not been recognised in prior years. This reversal is recognised in the consolidated statement of profit or loss and comprehensive income.

Intangible assets with indefinite useful lives are annually tested for impairment either separately or at the cash-generating unit level, as appropriate, when there are circumstances indicating that the carrying value may be impaired.

k) Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of financial position include cash at banks, cash in hand, and short-term deposits with original maturities of three months or less and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and short-term deposits as described above less overdraft accounts with banks, if any (as they are an integral part of the Group's cash management).

l) Dividends

The Group recognises cash or non-cash distributions to shareholders as a liability when the distribution is approved and is no longer at the discretion of the Group. In accordance with the Companies Law in the Kingdom, final dividends are recognised when they are approved by the General Assembly.

m) Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects that some or all of a provision will be reimbursed (e.g. under an insurance contract), the reimbursement is recognised as a separate asset only when such reimbursement is virtually certain. The provision expense is presented in the consolidated statement of profit or loss and other comprehensive income, net of any recoveries.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance cost.

n) Segment reporting

A business segment is a set of assets and operations associated with the provision of products or services that are subject to other risks and benefits than those related to other business segments, which are measured according to the reports used by the executive management.

Disclosures of segment reporting are consistent with information reviewed by the operating decision-maker. An entity discloses information about the applicable basis of measurement, such as the nature and effect of any differences between the measurements used in the information about the reporting segments and the applicable measurements.

o) Employee defined benefit obligations

The Group provides employees with end-of-service benefits that qualify as a defined benefit plan.

The net assets or liabilities of the pension plan recognised in the consolidated statement of financial position is the fair value of the plan assets, if any, less the present value of the expected defined benefit obligations at the reporting date.

The defined benefit obligation is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting estimated future cash flows, using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms close to those of the related obligations. The net commission cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss and other comprehensive income.

The cost of the defined benefit obligation for the initial periods is calculated on an annual basis using the actuarially-defined pension cost rate at the end of the previous year, after they are adjusted for significant market fluctuations and any significant one-off events, such as program adjustments or staff reduction and repayment. If there are no such significant market fluctuations and one-off events, actuarial liabilities will be carried forward based on assumptions at the beginning of the year. If there are material changes to assumptions or arrangements during the initial period, such liability should be re-measured.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in other comprehensive income. Changes in the present value of the defined benefit obligation arising from an adjustment or curtailment of the plan are recognised immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs. Valuations of the obligations under those plans are carried out by independent actuaries based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation for employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit or loss and other comprehensive income while the unwinding of the liability at the discount rates used is recorded as finance costs. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

In the Kingdom, with respect to the employee end-of-service benefit obligation, the actuarial valuation process is based on the Saudi Labour Law as well as the Group's policy.

p) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual terms of the instrument.

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 FVTPL, 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 FVTPL are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Financial assets

All financial assets are initially recognised at cost and subsequently measured at either amortised cost or fair value, depending on the classification.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised 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 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 FVTPL. Despite the foregoing, 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 amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For financial instruments other than impaired financial assets, 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net value of on initial recognition. For purchased or impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method

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

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

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

For purchased or impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset on initial recognition. The gross carrying amount may not be used even if the credit risk on the credit-impaired financial assets subsequently improves so that the financial asset is no longer credit-impaired.

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

Equity instruments 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 a consideration recognised 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 recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of profit or loss and other comprehensive income on disposal of equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss and other comprehensive income under IFRS 9 unless the dividends clearly represent a recovery of part of the investment cost. Dividends are included in the "**finance income**" item in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments measured at amortised cost or FVOCI, trade receivables, and contract assets. Expected credit loss is adjusted at each reporting date to reflect the changes in credit risk since the initial recognition of the respective financial instrument.

The Group continues to recognise lifetime ECL for trade receivables and contract assets. 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 the time value of money where appropriate.

The Group recognises 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 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 (without taking into account any collateral held by the Group).

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

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'Incurred Loss' model under IAS 39 with the 'ECL' model. It requires a significant estimate of how changes in economic factors affect ECL models, which are determined on a probability-weighted basis.

The new impairment model is applied to financial assets measured at amortised cost or at FVTOCI, excluding equity investments.

Impaired financial assets

A financial asset is 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 impaired includes observable data about the following events:

- the significant financial difficulty of the issuer or the lender;
- a breach of contract, such as a late payments or default thereof ;

- the lender(s), 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; or
- 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, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Written off financial assets may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in the consolidated statement of 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 date of the financial statements. For loan commitments, exposure includes the amount drawn down as at the date of the financial statements, 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. For financial assets, 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 cash flows that the Group expects to receive, discounted at the original effective interest rate.

When lifetime ECL is measured on a collective basis to address situations where there may be no evidence of a significant increase in credit risk at the individual instrument level, financial instruments are grouped on the following bases:

- Nature of financial instruments
- overdue; and
- Nature of the borrowers, their size, and the sector in which they operate.

The combination process is reviewed regularly by management to ensure that the components of each group still 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 derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and benefits of ownership of the asset to another entity. If the Group neither transfers nor retains all the risks and benefits of ownership and continues to control the transferred asset, the Group recognises 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised 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 the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

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

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 recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the 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

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

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

The effective interest method is a method of calculating the amortised 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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any transferred non-cash assets or expected liabilities, is recognised in the consolidated statement of profit or loss and other comprehensive income.

q) Right-of-use assets and lease liabilities

Under IFRS 16, the Group assesses whether a contract is based on or contains a contract based on the concept of a lease and determines whether an arrangement is based on or contains a lease based on the substance of the arrangement at the inception of the lease. An arrangement is or contains a lease if the arrangement is based on the use of a specific asset(s) and the arrangement provides a right-of-use asset(s) even if that right is not expressly authorized in the arrangement.

As a lessee

The Group has previously classified leases as operating or finance leases based on its assessment of whether the lease transfers all the risks and rewards of ownership of the underlying asset to the Group. For the year ended 31 December 2019G, the Group classified all its lease contracts as operating leases. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e., these leases are included in the financial position.

As part of the initial application of IFRS 16, the Group decided not to apply the requirements of IFRS 16 to leases that would expire within 12 months from the date of initial application. In such cases, the related lease payments are recognised as an expense on a straight-line basis over the term of the lease. In addition, the Group also used practical tools to apply a single discount rate to a portfolio of leases with similar characteristics and excluded direct costs from the measurement of the right-of-use asset at the date of initial application.

Initial recognition

1) Assets and liabilities arising under a lease are initially measured at present value.
   - Right-of-use assets are measured at cost comprising the following:
   - the initial measurement value of the lease liabilities;
   - any lease payments made on or before the commencement date of the contract less any lease incentives received;
   - any initial direct costs; and
   - renewal costs.
2) Lease liabilities include the net present value of the following lease payments:
   - fixed payments (including fixed payments in substance), net of any lease incentives receivable;
   - variable lease payments that depend on an index or rate;
   - amounts expected to be payable by the lessee under residual value guarantees;
   - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
   - the payment of termination penalties if the lease term reflects the lessee's exercise of this option.

Subsequent measurement

Right-of-use assets

a) The Group applies the cost model and measures the right-of-use asset at its value on initial recognition:

b) after deducting accumulated depreciation and any accumulated impairment losses; and

making an adjustment after any re-measurement of lease liabilities for lease adjustments.

Lease liability

The Group measures lease liabilities after the commencement date by:

a) increasing the carrying amount to reflect the interest on the lease liabilities;

b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any re-assessment or modification of the lease.

Transition impact

When applying IFRS 16 Leases, the Group recognised right-of-use assets and lease liabilities.

The following table summarises the impact of the application of IFRS 16 on the consolidated statement of financial position as at 1 January 2019G:

	1 January 2019G
Right-of-use assets	61,086,752
Prepaid expenses and other accounts receivable	(3,485,853)
Capital lease liability - non-current portion	45,885,809
Capital lease liability - current portion	15,200,943

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

Impact on the year ended 31 December 2019G

As a result of applying IFRS 16 with respect to leases that were previously classified as operating leases, the Group recognised right-of-use assets and lease liabilities amounting to SAR 154 million and SAR 138 million, respectively, as at 31 December 2019G.

In addition, for the leases that are accounted for under IFRS 16, the Group recognised a depreciation and interest expense instead of an operating lease expense. During the year ended 31 December 2019G, the Group recognised a depreciation expense and interest expense of SAR 25 million and SAR 907 thousand, respectively.

r) Zakat

The Group calculates and recognises a Zakat provision based on the Zakat base in its consolidated financial statements in accordance with the Zakat regulations in the Kingdom. The adjustments resulting from the final assessment are recorded during the reporting period in which this assessment is approved by the General Authority of Zakat and Tax.

6-5 Results of Operations for the Financial Years Ended 31 December 2018G, 2019G, and 2020G

6-5-1 Consolidated statement of profit or loss and other comprehensive income

The following table summarizes the Group's consolidated statement of profit or loss and other comprehensive income for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-3): Consolidated Income Statement

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue	1,925,710	2,102,019	2,466,065	9.2%	17.3%	13.2%
Cost of revenue	(1,206,406)	(1,420,651)	(1,639,491)	17.8%	15.4%	16.6%
Gross profit	719,304	681,368	826,574	(5.3%)	21.3%	7.2%
Selling and marketing expenses	(70,185)	(84,355)	(76,927)	20.2%	(8.8%)	4.7%
Expected Credit Losses (ECL)	(4,901)	-	(35,489)	(100.0%)	N/A	169.1%
General and administrative expenses	(217,023)	(209,649)	(246,938)	(3.4%)	17.8%	6.7%
Depreciation and amortisation	(67,828)	(86,857)	(111,611)	28.1%	28.5%	28.3%
Operating profit	359,367	300,507	355,609	(16.4%)	18.3%	(0.5%)
Finance costscosts	(4,556)	(4,898)	(6,374)	7.5%	30.1%	18.3%
Income on short term deposits	3,255	12,149	10,923	273.2%	(10.1%)	83.2%
Net share in results of associates	-	-	104	N/A	N/A	N/A
Change in fair value through profit or loss (FVTPL)	-	-	3,596	N/A	N/A	N/A
Other revenue (expenses)	6,267	(576)	8,413	(109.2%)	(1559.7%)	15.8%
Net profit before Zakat	364,333	307,182	372,271	(15.7%)	21.2%	1.1%
Zakat	-	-	(65,690)	N/A	N/A	N/A
Net profit	364,334	307,182	306,581	(15.7%)	(0.2%)	(8.3%)
Change in fair value of investments at FVTOCI	-	1,773	867	N/A	(50.0%)	N/A
Recalculation of the end-of-service provision	(5,919)	(11,660)	260	97.0%	(102.2%)	N/A
Total comprehensive income for the year	358,415	297,255	307,708	(17.1%)	3.5%	(7.3%)
Key Performance Indicators:						
As a % of revenue					**Percentage point**	
Gross profit	37.4%	32.4%	33.5%	(4.9)	1.1	(3.8)

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Selling and marketing expenses	3.6%	4.0%	3.1%	0.4	(0.9)	(0.5)
General and administrative expenses	11.3%	10.0%	10.0%	(1.3)	0.0	(1.3)
Net profit	18.9%	14.6%	12.4%	(4.3)	(2.2)	(6.5)

Source: Audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G and management analyses.

Revenue

Revenues have been recognised through: (1) the Product Group segment, which is specialised in delivering electronic services to the public and private sectors, such as Yakeen, Muqeem, Umrah, Tamm, and the operation and development of the Absher platform, among other services. The Product Group segment contributed 54% of the total revenues in 2018G, 57% of the total revenues in 2019G, and 64% of the total revenues in 2020G; and (2) the Project segments, represented in four key segments: The Business Outsourcing segment (specialises in outsourcing to governmental entities to deliver public services and operational activities), the Technology Projects Group segment (specialises in delivering technology solutions in the IT area), the Professional Services segment (specialises in delivering training and consulting solutions in several fields), and the Saudisation and Capacity Building segment (specialises in providing Saudisation solutions). The Project segments contributed nearly 46% of the total revenues in 2018G, 43% of the total revenues in 2019G, and 36% of the total revenues in 2020G.

Revenue increased from SAR 1,925.7 million in 2018G to SAR 2,102.0 million in 2019G (SAR +176.3 million) due to the increase in the revenues generated by the Product Suite, primarily the Yakeen service (SAR +128.4 million), the operation and development of the Absher platform (SAR +64.5 million), in addition to the increase in project revenues (by SAR +25.3 million) during the same period.

Further, revenue increased to SAR 2,466.1 million in 2020G (SAR +364.0 million) due to the rise in the Product Suite's revenues (SAR +381.2 million) driven by the revenues arising from the acquisition of Tabadul (with revenues of SAR 272.6 million), in addition to the fact that the Group received a letter concerning the dues payable to Elm for the development and operation of the Absher system pertaining to the period from June 2016G until December 2019G, amounting to SAR 91.4 million and which represents the profit margin for the performance of development and operation services for that period. The Group did not have information at the time indicating entitlement to that profit, therefore, it was recognised in 2020G following the receipt of the aforementioned letter.

This increase in the revenues of the Product Suite in 2020G was offset by a decrease in project revenues by SAR 17.2 million as a result of the completion of some projects in the digital projects and professional services segments (SAR -237 million), which was partially offset through the launch of the Nationalization and Upskilling segment in 2020G, which generated revenues of (SAR +121.7 million), in addition to the increase in the Business Process Outsourcing segment's revenues (SAR +97.6 million) due to contracts entered into with a government entity to manage and operate service centres.

Cost of revenue

Cost of revenue consists of the cost of employees, which comprised around 56% of the total cost of revenue in 2020G, and other direct costs such as the costs of contractors, software, and electronic licenses, support and supply, partnerships and others.

Cost of revenue increased from SAR 1,206.4 million in 2018G to SAR 1,420.7 million in 2019G (SAR +214.2 million) due to the increase in employee direct costs (SAR +126.2 million) resulting from the increase in the number of employees (+511 employees), in addition to the increase in the costs of software and electronic licenses (SAR +34.1 million) and the costs of support and supply (SAR +44.1 million).

Cost of revenue increased to SAR 1,639.5 million in 2020G (SAR +218.8 million), primarily attributable to the cost of revenue resulting from the acquisition of Tabadul (as the cost of revenue of Tabadul amounted to SAR 203.2 million), in addition to the increase in the costs of training courses, primarily in Nationalization and Upskilling projects (SAR +31.9 million).

Gross profit

Gross profit decreased from SAR 719.3 million in 2018G to SAR 681.4 million in 2019G, due to the decrease in the proftability of some segments. The Business Process Outsourcing and Technical Projects Group segments reported a gross loss of SAR 20.6 million and SAR 16.7 million respectively due to the decreasingprofitability of some projects, in addition to the Group's engagement in new projects with lower profit margins for expansionary purposes. Gross profit increased by SAR 145.2 million between 2019G and 2020G due to the acquisition of Tabadul, whose gross profits amounted to SAR 67.9 million in 2020G, in addition to the fact that the Group secured several projects relating to the management and operation of service centres with a governmental entity.

Selling and marketing expenses

Selling and marketing expenses include the cost of employees, advertising, SADAD costs, and other expenses.

Selling and marketing expenses rose from SAR 70.2 million in 2018G to SAR 84.4 million in 2019G (SAR +14.2 million), primarily due to the increase in the cost of employees by SAR 11.2 million in line with the increase in the average number of employees by 10 employees.

The decrease to SAR 76.9 million in 2020G (SAR -7.4 million) primarily resulted from the impact of the COVID-19 pandemic which led to a decrease in: (1) the cost of employees (SAR - 4.0 million) as a result of the decrease in the average number of employees by 9 employees; (2) the decrease in public relations expenses (SAR -3.5 million); and (3) the decrease in advertising expenses (SAR -0.3 million).

Expected Credit Losses (ECL)

Expected credit losses relates to the provisions for the accounts receivable, contract assets, and employee receivables. In measuring expected credit loss, the Group uses forward-looking information based on the assumptions of future drivers of the various economic factors, and the manner in which these drivers interact with each other. The Group also uses estimates to calculate loss ratios, and, at the discretion of the management, the Group creates a provision for an additional expected credit loss for specific cases.

Expected credit losses amounted to SAR 35.5 million in 2020G, primarily driven by management estimates for some cases in accounts receivable and contract assets. In addition, there were additional provisions for accounts receivable and contract assets whose life exceeds one year in accordance with the credit loss model in place.

General and administrative expenses

Administrative and general expenses include the cost of employees, consulting and professional services, hospitality and activities, repair and maintenance expenses, contractor expenses, and other expenses.

General and administrative expenses decreased from SAR 217.0 million in 2018G to SAR 209.6 million in 2019G (SAR -7.4 million), primarily owing to the decrease in lease expenses due to the adoption of IFRS 16.

In 2020G, general and administrative expenses increased to SAR 246.9 million (SAR +37.3 million) primarily attributable to the increase in the cost of employees (SAR +38.4 million) due to the acquisition of Tabadul (as the general and administrative expenses of Tabadul amounted to SAR 61.0 million). This acquisition led to an increase in the number of employees classified within general and administrative expenses (+53 employees).

Depreciation and amortisation

Depreciation and amortisation expenses relate to expenses for the depreciation of property, machinery and equipment, right-of-use assets, and intangible assets. Depreciation and amortisation increased from SAR 67.8 million in 2018G to SAR 86.9 million in 2019G, primarily due to amortisation expenses relating to right-of-use assets, which resulted from the adoption of IFRS 16.

Further, depreciation and amortisation expenses increased to SAR 111.6 million in 2020G, primarily due to the acquisition of Tabadul (as the depreciation and amortisation expenses of Tabadul amounted to SAR 14.8 million) in addition to transfers from works under construction.

Finance costs

Finance costscosts relate to capital lease expenses and the present value of an interest-free loan. Finance costscosts increased from SAR 4.6 million in 2018G to SAR 4.9 million in 2019G, primarily due to lease liabilities related to right-of-use assets, which resulted from the adoption of IFRS 16. Finance costs increased from SAR 6.4 million in 2020G as a result of the present value of an interest-free loan which was obtained by Tabadul from the Public Investment Fund in 2011G for a period of 10 years. The outstanding balance of the loan amounted to SAR 13.9 million as at 31 December 2020G.

Income on short term deposits

Income on short-term deposits consist of the financial returns from bank deposits. Income onshort-term deposits increased from SAR 3.3 million in 2018G to SAR 12.1 million in 2019G, due to the increase in: (1) the average balance of short-term deposits; and (2) the average interest rate from 1.7% to 2.2% during the same period.

Income on short term deposits dropped to SAR 10.9 million in 2020G, due to the decrease in the average balance of short-term deposits coupled with the decrease in the average interest rate to 1.1%.

Net share in results of associates

Share in the results of associates amounted to SAR 103.6 million in 2020G and relates to the Group's share in the profits or losses of associate companies under the equity method, which recorded SAR 163.6 thousand from the Group's net share in the results of Smart National Solutions Co. and a loss of SAR 60 thousand in Sahl Al Madar Trading Company.

Change in fair value through profit or loss (FVTPL)

The change in the fair value of investments through profit or loss arises from changes in the fair value of investments carried at fair value through the profit or loss. Gains from financial assets carried at fair value through profit or loss amounted to SAR 3.6 million in 2020G, and relate to fair value gains from investments in Zid Company, Foodics Company, Sahl Al Madar Trading Company, and Smart National Solutions Co.

Other income (expenses)

Other net revenues (expenses) amounted to SAR 6.3 million in 2018G, primarily due to the subsidy paid to the Group by the Human Resources Development Fund as part of its programs to support Saudisation in the private sector. Other revenues (expenses) dropped to losses of SAR 576 thousand in 2019G, primarily due to the accrual of a provision for lawsuits.

In 2020G, other revenues (expenses) increased to a profit of SAR 8.4 million, due to a subsidy of SAR 4.7 million received from the Human Resources Development Fund coupled with the reversal of a provision for lawsuits amounting to SAR 3.0 million.

Zakat

In early 2021G, Royal Order No. 35657 was issued dated 29/6/1442H requiring that companies fully owned by the Public Investment Fund, whether directly or indirectly, be subject to Zakat starting from the financial year 2020G,. Companies resident in the Kingdom of Saudi Arabia and the like which are fully owned by the Public Investment Fund shall not be subject to Zakat for the financial years ended 31 December 2019G and prior. Accordingly, the Group recognised Zakat expenses in the amount of SAR 65.7 million in 2020G, representing 2.5% of the Zakat base of SAR 2,627.6 million (the Group did not recognise Zakat expenses in 2018G and 2019G).

Net profit

Net profit decreased from SAR 364.3 million in 2018G to SAR 307.2 million in 2019G, driven by the decrease in gross profit across all segments, except the Products segment. In 2020G, net profit dropped to SAR 306.6 million due to Zakat expenses, as the Group was exempted from payment of Zakat in 2019G and 2018G, noting that there was an increase in profit before Zakat during the same period.

a) Analysis of revenues

The following table summarizes revenue by company after excluding joint operations for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-4): Revenue by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	1,918,555	2,077,065	2,157,023	8.3%	3.9%	6.0%
Emdad Al Khebrat	219,229	335,647	397,850	53.1%	18.5%	34.7%
Tabadul	-	-	272,593	N/A	N/A	N/A
Elm Technical Investment Company	-	-	-	N/A	N/A	N/A
Future Resources	-	-	-	N/A	N/A	N/A
Elm Digital Payments Company*	-	-	-	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A
Subtotal	**2,137,784**	**2,412,712**	**2,827,466**	**12.9%**	**17.2%**	**15.0%**
Consolidation adjustments	(212,074)	(310,693)	(361,401)	46.5%	16.3%	30.5%

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Total	1,925,710	2,102,019	2,466,065	9.2%	17.3%	13.2%

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The Group's revenue consist of the revenue of the Company and Emdad Al Khebrat Company in 2018G and 2019G, as well as the revenue of Tabadul Company in 2020G as a result of the acquisition that took place in 2020G.

Elm

Elm's revenue increased from SAR 1,918.6 million in 2018G to SAR 2,077.1 million in 2019G and SAR 2,157.0 million in 2020G, primarily due to the increase in Products revenue, mainly the Yakeen service, and the operation and development of the Absher platform.

Emdad Al Khebrat

The revenue of Emdad Al Khebrat increased from SAR 219.2 million in 2018G to SAR 335.6 million in 2019G and SAR 397.8 million in 2020G due to new projects, mainly with Elm, the parent company.

Tabadul

The acquisition of Tabadul was carried out in 2020G, and led to an increase in the Group's revenues by SAR 272.6 million, which comprise exclusively of Fasah platform services.

The following table summarizes the Group's revenues by segment for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-5): Revenue by Segment

SAR'000	2018G *Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue						
Product Suite	1,040,193	1,191,216	1,572,444	14.3%	32.0%	22.8%
Business Process Outsourcing	384,762	432,866	530,818	12.5%	22.6%	17.5%
Technical Projects Group	381,586	339,890	154,646	(10.6%)	(54.5%)	(36.2%)
Professional Services	119,169	138,047	86,487	16.7%	(37.3%)	(14.5%)
Nationalization and Upskilling	-	-	121,670	N/A	N/A	44.3%
Total revenue	1,925,710	2,102,019	2,466,065	9.2%	17.3%	13.2%

* The segment numbers were reclassified for the year 2018G based on the new segment structure adopted in 2020G.

Source: Audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management analyses

Product Suite

The Product Suite contains a wide range of electronic services which are delivered by the Group to the public and private sectors. The increase from SAR 1,040.2 million in 2018G to SAR 1,191.2 million in 2019G was mainly driven by the growth in Yakeen service revenue by SAR 128.4 million and the increase in the revenue of the operation and development of the Absher platform by SAR 64.5 million.

The revenue of the Product Suite increased to SAR 1.6 billion in 2020G, primarily due to the revenues of the Fasah service, which amounted to SAR 272.6 million as a result of the acquisition of Tabadul Company, as well as the increase in Absher revenues by SAR92.4 million, primarily due to the dues payable to Elm for the development and operation of Absher pertaining to the period from June 2016G up to December 2019G, which amounted to SAR 91.4 million and represents the profit margin for performing development and operation services during that period. The Group had no information at the time of the entitlement to such profits, therefore, they were recognised in 2020G.

Business Outsourcing

Business Process Outsourcing projects consist of projects supporting workforce supply services which require the provision of workforce on the project site and are usually provided through Emdad.

Revenue from Business Process Outsourcing projects increased from SAR 384.7 million in 2018G to SAR 432.9 in 2019G primarily due to an increase in the number of projects. This increase was consistent with the increase in the revenues generated from: (1) a project with a governmental entity to complete, expedite, and enhance travellers entry procedures (SAR +52.2 million); and (2) a project with a governmental entity specialising in inspection and control procedures (SAR +22.1 million). This was offset by a decrease in the revenues of some projects, including a project for the training and operation of standard service centres for a government entity (SAR -52.5 million) due to the implementation and delivery of most of the project deliverables in 2018G.

Revenues from Business Process Outsourcing projects increased to SAR 530.8 million in 2020G, driven by contracts secured with a government entity to manage and operate service centres (SAR +199.7 million). This increase was offset by a decrease in revenue from a project to complete, expedite, and enhance travellers entry procedures with a government entity by (SAR -50.0 million).

Technology Projects Group

The technology projects group represents the specialised digital solutions projects delivered by the Group.

Revenues from the Technology Projects Group decreased from SAR 381.6 million in 2018G to SAR 339.9 million in 2019G, as thecontractual obligations for a project for an electronic platform eligibility verification program with a government entity (SAR -73.6 million) were completed in 2018G, this was partially compensated for by the increase in revenue generated from the National Labour Gateway project with a government entity (SAR +17.6 million).

Further, the revenue of the Technical Projects Group dropped to SAR 154.6 million in 2020G, primarily due to a decrease in the number of ongoing projects. This was also accompanied by a decrease in revenue generated from the Sarf project implemented with a government entity (SAR -35.3 million) and the National Labour Gateway project implemented with a government entity (SAR -32.6 million) due to the implementation and delivery of most of the deliverables of both projects in 2019G.

Professional Services

Professional Services relate to capacity building for human resources and businesses, information technologies, and digital consulting services.

The revenues of the professional services segment rose from SAR 119.2 million in 2018G to SAR 138.0 million in 2019G, primarily due to the implementation of a project with a governmental entity to provide consulting and operational services (SAR +24.9 million), and the implementation of a project to deliver consulting services and operate the project management office for a governmental entity (SAR +7.8 million), which was partially offset by a decrease in the revenues of a project for the establishment and operation of the Vision Realization Office (VRO) with a governmental entity (SAR -12.6 million).

Moreover, Professional Services revenue dropped to SAR 86.5 million in 2020G as a result of the delivery and implementation of all contractual obligations relating to a project to develop technology systems for a governmental entity (SAR -27.0 million) and a project to establish and operate the VRO implemented with a governmental entity (SAR -21.0 million).

Saudization and Capacity Building

The Saudisation and capacity building division was recently established in 2020G to provide specialised training to Saudi citizens. In FY 2020G, revenues amounted to SAR 121.7 million, mainly relating to a major project implemented with a governmental entity (SAR 103.0 million).

Revenue by client type

Table (6-6): Revenue by Client Type

SAR'000	2018G *Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue						
Governmental revenue	1,087,139	1,165,845	1,461,266	7.2%	25.3%	15.9%
Commercial revenue	838,571	936,174	1,004,800	11.6%	7.3%	9.5%
Total revenue	**1,925,710**	**2,102,019**	**2,466,065**	**9.2%**	**17.3%**	**13.2%**

* The segment numbers were reclassified for the year 2018G based on the new segment structure adopted in 2020G.

Source: Audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management analyses

Revenue from the top five products

Table (6-7): Revenue from the Top Five Products

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue						
Yakeen	175,397	303,840	298,245	73.2%	(1.8%)	30.4%
Absher	128,568	192,933	285,385	50.1%	47.9%	49.0%
Fasah	-	-	272,593	N/A	N/A	N/A
Tamm	200,914	226,406	229,071	12.7%	1.2%	6.8%
Muqeem	172,391	187,290	212,906	8.6%	13.7%	11.1%
Subtotal	677,270	910,469	1,298,200	34.4%	42.6%	38.4%
Other products	362,923	280,747	274,244	(21.9%)	(3.2%)	(13.1%)
Total products	1,040,193	1,191,216	1,572,444	14.8%	31.7%	23.0%
As a % of the total						
Yakeen	16.9%	25.5%	19.0%	8.6	(6.5)	2.1
Absher	12.4%	16.2%	18.1%	3.8	2.0	(18.1)
Fasah	-	-	17.3%	-	17.3	17.3
Tamm	19.3%	19.0%	14.6%	(0.3)	(4.4)	(4.7)
Muqeem	16.6%	15.7%	13.5%	(0.9)	(2.1)	(3.0)
Subtotal	65.1%	76.4%	82.6%	11.1	6.3	17.4
Other products	34.9%	23.6%	17.4%	(11.1)	(6.3)	(17.4)

Source: Management information

Product revenues by client type

Table (6-8): Product Revenues by Client Type

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue						
Governmental revenue	183,647	258,735	561,421	40.9%	117.0%	74.8%
Commercial revenue	856,546	932,480	1,011,023	9.2%	8.1%	8.6%
Total revenue	1,040,193	1,191,215	1,572,444	14.8%	31.7%	23.0%

Source: Management information

b) Analysis of the cost of revenue

The following table summarizes the cost of revenue by company, after excluding joint operations, for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-9): Cost of Revenue by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	1,235,350	1,439,692	1,466,534	16.5%	1.9%	9.0%
Emdad Al Khebrat	183,130	291,652	331,144	59.3%	13.5%	34.5%
Tabadul	-	-	203,214	N/A	N/A	N/A
Elm Investment Company	-	-	-	N/A	N/A	N/A
Future Resources	-	-	-	N/A	N/A	N/A
Elm Digital Payments Company*	-	-	-	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A
Subtotal	**1,418,480**	**1,731,344**	**2,000,892**	**22.1%**	**15.6%**	**18.8%**
Consolidation adjustmentsConsoli-dation adjustments	(212,074)	(310,693)	(361,401)	46.5%	16.3%	30.5%
Total	**1,206,406**	**1,420,651**	**1,639,491**	**17.8%**	**15.4%**	**16.6%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The Group's cost of revenue consists of the cost of revenue of Elm and Emdad Al Khebrat in 2018G and 2019G, in addition to the cost of revenue of Tabadul in 2020G.

Elm

The Company's cost of revenue increased from SAR 1,235.4 million in 2018G to SAR 1,439.7 million in 2019G, due to the increase in the direct cost of employees (SAR +19 million) resulting from the increase in the number of employees (+123 employees), in addition to the increase in the costs of software and electronic licenses (SAR +36.5 million), support and supply costs (SAR +23.4 million), and contractors' costs (SAR +22.3 million).

The Company's cost of revenue increased to SAR 1,466.5 million in 2020G, in parallel with the rise in revenue in addition to the increase of the costs of the project to support the Saudisation programs of a governmental entity (SAR +31.9 million). On the other hand, the costs of software and electronic licenses decreased (around SAR -18.0 million).

Emdad Al Khebrat

The cost of revenue increased from SAR 183.1 million in 2018G to SAR 291.7 million in 2019G, then to SAR 331.1 million in 2020G, due to the increase in the direct cost of employees due to the increase in the number of employees from 948 in 2018G to 1,327 in 2019G and to 1,439 in 2020G.

Tabadul

The acquisition of Tabadul was carried out in 2020G, and its cost of revenue was SAR 203.2 million, mainly relating to employees' costs of SAR 76.0 million, the cost of a profit sharing agreement between Tabadul and a government entity in the amount of SAR 56.3 million, the costs of software and electronic licenses in the amount of SAR 21.3 million, and the costs of outsourcing and contractors in the amount of SAR 14.7 million.

The following table summarizes the Group's cost of revenue by type for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-10): Cost of Revenue

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Direct cost of employees	702,081	828,238	915,758	18.0%	10.6%	14.2%
Outsourcing and contractor costs	66,836	78,735	129,691	17.8%	64.7%	39.3%
Software and electronic licences	67,112	101,166	104,803	50.7%	3.4%	25.0%
Support and supply expenses	25,689	69,866	82,436	172%	18%	95.6%

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Income sharing project expenses	-	-	71,132	N/A	N/A	N/A
Training courses	27,226	8,807	40,755	(67.7%)	362.8%	22.3%
Partnership costs	41,675	30,526	33,525	(26.8%)	9.8%	(10.3%)
Costs related to the data and information resources development agreement	29,390	41,086	36,813	39.8%	(10.4%)	11.9%
IT devices	33,660	44,343	35,909	31.7%	(19.0%)	3.3%
Other	212,737	217,685	187,668	2.3%	(13.6%)	(6.1%)
Total cost of revenue	**1,206,406**	**1,420,651**	**1,639,491**	**17.8%**	**15.4%**	**16.6%**

Source: Management information

Direct cost of employees

The direct cost of employees primarily relates to employees' salaries and benefits, which constituted around 59%, 59%, and 56% of the total cost of revenue for the periods ended 31 December 2018G, 2019G, and 2020G respectively.

The direct cost of employees increased from SAR 702.1 million in 2018G to SAR 828.2 million in 2019G, primarily attributable to the increase in the number of employees by +379 at Emdad Al Khebrat, and +123 at Elm during the same period, in addition to the annual salary increases as of April 2019G.

Nevertheless, this increase has been partially compensated for through the decrease in the average cost per employee from SAR 28.9 thousand in 2018G to SAR 27.3 thousand in 2019G, primarily due to a decrease in training expenses and annual compensation paid to employees in 2019G.

The direct cost of employees increased to SAR 915.8 million in 2020G, primarily attributable to the increase in the average monthly cost per employee from SAR 27.3 thousand in 2019G to SAR 28.9 thousand in 2020G, due to the increase in the annual compensation paid to the Group's employees, in addition to the increase arising from the acquisition of Tabadul. This was partially compensated for through the decrease in business trip expenses due to the travel restrictions arising from the coronavirus pandemic, by SAR 14.9 million, the decrease in expenses for training courses delivered to the Company's personnel by SAR 24.2 million, and the decrease in some other benefits by SAR 2.1 million.

Outsourcing and contractor costs

Outsourcing and contractor costs are mainly related to outsourcing of external parties to perform specific works. Outsourcing and contractor costs increased from SAR 66.8 million in 2018G to SAR 78.7 million in 2019G, mainly due to the increase in contractor costs.

The reason for the additional increase from SAR 80.1 million in 2019G to SAR 129.7 million in 2020G is that the Group hired specialized workers to meet the needs of a project to manage and operate service centres with a government entity.

Electronic software and licenses

Electronic software and license costs relate to the various licenses that the Group obtained to fulfil its obligations in a number of ongoing projects.

The costs of software and electronic licenses increased from SAR 67.1 million in 2018G to SAR 101.2 million in 2019G and subsequently increased to SAR 104.8 million in 2020G, mainly due to obtaining Dynamics, Power BI, and Enterprise licenses as part of contractual obligations for a project with a governmental entity (SAR +34.3 million).

Support and supply expenses

Support and supply expenses are associated with technical support services and SMS. Support and supply expenses increased from SAR 25.7 million in 2018G to SAR 69.9 million in 2019G, mainly due to the project for training and operation of standard service centres and costs related to SMS to operate and develop the Absher platform.

Support and supply expenses increased to SAR 82.4 million in 2020G, due to the increase in SMS expenses for operating and developing the Absher platform, in addition to support services for a project.

Income sharing project expenses

Income-sharing project expenses are related to the revenue-sharing agreement in force on 1 January 2019G between Tabadul and two government entities, as well as a profit-sharing agreement with a government entity.

Training courses

Training course expenses are associated with projects and are incurred according to the requirements for fulfilling contract obligations. Training decreased from SAR 27.2 million in 2018G to SAR 8.8 million in 2019G, due to the completion and delivery of a project.

In 2020G, training course expenses increased to SAR 40.8 million, related to the Nationalization and Upskilling segment.

Partnership costs

Partnership costs represent commissions paid by the Group to a number of partners, who mostly provide sales support for Tamm and Muqeem services. Partnership costs decreased from SAR 41.7 million in 2018G to SAR 30.5 million in 2019G, mainly due to the update of the commission calculation mechanism.

Partnership costs increased slightly to reach SAR 33.5 million in 2020G based on the increased sales made by the partners.

Costs related to the data and information resources development agreement

These represent the costs of having access to the data held by a government entity. These costs changed from SAR 29.3 million in 2018G to SAR 41.1 million in 2019G and to SAR 36.8 million in 2020G.

IT devices

IT device costs are the costs related to devices used for products and project obligations and they vary depending on project requirements. The costs of IT devices increased from SAR 33.7 million in 2018G to SAR 44.3 million in 2019G, due to the fulfilment of the obligations of an existing project. The costs of IT devices decreased to SAR 36.8 million in 2020G, mainly due to the amount of SAR 7.5 million representing performance obligations in 2019G for an existing project.

Other expenses

Other expenses consist of the costs of consultants, data circuits, service providers, construction, renovation, security, cleaning, hospitality, rent, postage, shipping, and other expenses.

Other expenses increased from SAR 212.7 million in 2018G to SAR 217.7 million in 2019G, mainly due to the increase in construction and renovation expenses amounting to SAR 24.6 million related to the preparation of work sites for some ongoing projects.

Other expenses decreased to SAR 187.7 million (SAR -30.0 million) in 2020G, mainly due to the decrease in other cost elements, such as construction and renovation costs due to the completion of a project to improve operational efficiency and training capabilities with a government entity, as well as consultant costs, mainly due to the completion and delivery of electronic platform projects to verify eligibility with a governmental entity, and a reduction of service provider and marketing costs.

c) Gross profit analysis

The following table summarizes gross profit by company for the three financial years ended 31 December 2018G, 2019G and 2020G:

Table (6-11): Gross Profit by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	683,205	637,374	690,489	(6.7%)	8.3%	0.5%
Emdad Al Khebrat	36,009	43,994	66,706	21.9%	51.6%	35.9%
Tabadul	-	-	69,379	N/A	N/A	N/A
Elm Technical Investment Company	-	-	-	N/A	N/A	N/A
Future Resources	-	-	-	N/A	N/A	N/A

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm Digital Payments Company*	-	-	-	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A
Subtotal	**719,304**	**681,368**	**826,574**	**(5.3%)**	**21.3%**	**7.2%**
Consolidation adjustmentsConsolidation adjustments	-	-	-	N/A	N/A	N/A
Total	**719,304**	**681,368**	**826,574**	**(5.3%)**	**21.3%**	**7.2%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Gross profit amounted to SAR 826.6 million in 2020G, with Elm being the largest contributor to this amount and Tabadul contributing about 9% of the gross profit in 2020G.

Gross profit decreased by SAR 37.9 million between 2018G and 2019G, due to the decrease in the profit margin in the Project segments during the same period. Gross profit increased by SAR 145.2 million between 2019G and 2020G, largely driven by the increase resulting from the acquisition of Tabadul of SAR 69.5 million.

The following table summarizes gross profit by segment for the Group for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-12): Gross Profit by Segment

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Product Suite	616,821	716,893	806,605	16.2%	12.5%	16.1%
Business Process Outsourcing	24,986	(20,583)	60,259	(182.4%)	392.8%	55.3%
Technical Projects Group	56,482	(16,669)	(89,212)	(129.5%)	435.2%	N/A
Professional Services	21,015	2,230	(5,966)	(89.4%)	(367.5%)	N/A
Nationalization and Upskilling	-	(502)	54,889	N/A	(11,034.1%)	N/A
Gross profit/(loss)	**719,304**	**681,368**	**826,574**	**(5.3%)**	**21.3%**	**7.2%**
Key Performance Indicators:						
Gross profit margin				**Percentage point**		
Product Suite	59.3%	60.2%	51.3%	0.9	(8.9)	(8.0)
Business Process Outsourcing	6.5%	(4.8%)	11.4%	(11.3)	16.2	4.9
Technical Projects Group	14.8%	(4.9%)	(57.7%)	(19.7)	(52.8)	(72.5)
Professional Services	17.6%	1.6%	(6.9%)	(16.0)	(8.5)	(24.5)
Nationalization and Upskilling	N/A	N/A	45.1%	N/A	N/A	41.5
Total	**37.4%**	**32.4%**	**33.5%**	**(4.9)**	**1.1**	**(3.9)**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management information

Product Suite

Gross profit from the Product Suite constituted about 98% of the gross profit of the Group in 2020G, and increased by 10.4% from SAR 616.8 million in 2018G to SAR 716.9 million in 2019G (SAR +100.1 million) mainly due to the increase in the gross profit of the Yakeen service (SAR +108.0 million) and the operation and development of the Absher platform (SAR +38.5 million) as a result of the increase in revenues. The gross profit margin increased from 59.3% in 2018G to 60.2% in 2019G due to the increase in revenues. Gross profit for the Product Suite also continued its increase, reaching SAR 806.6 million in 2020G (SAR +89.8 million), mainly due to the acquisition of Tabadul, as Fasah achieved a gross profit of SAR 69.5 million, against a decrease in the gross profit of other products (SAR - 55.8 million).

Business Outsourcing

The gross profit of business outsourcing projects decreased from SAR 25.0 million in 2018G to a gross loss of SAR - 20.6 million in 2019G, mainly due to a project specialized in inspection and control works with a governmental entity and the completion of the implementation and delivery of the majority of the contractual obligations of a project to improve and accelerate traveller entry procedures with a governmental entity. Accordingly, the profit margins for business outsourcing projects decreased from 6.5% in 2018G to -4.8% in 2019G.

The gross profit of business outsourcing projects increased from a loss of SAR - 20.6 million in 2019G to SAR 60.3 million in 2020G. This is mainly due to contracts to manage and operate service centres with a governmental entity, a project for receiving and grouping arrivals and accommodation centres with a governmental entity, and an optical distortion treatment project with a governmental entity, which contributed significantly to the increase of the gross profit margin to 11.4% in 2020G.

Technology Projects Group

Gross (profit/loss) of the Technical Projects Group decreased from profits of SAR 56.5 million in 2018G to losses of SAR - 16.7 million in 2019G and losses of SAR -89.2 million in 2020G. This is mainly due to the recorded costs related to a number of projects whose obligations were fulfilled in previous years, in addition to the decrease in segment sales and not obtaining new projects, as well as the impact of the coronavirus pandemic in 2020G. This resulted in a gross loss margin for the Technical Projects Group of -57.7% in 2020G.

Professional Services

Gross (profit/loss) for the Professional Services segment decreased from SAR 21.0 million in 2018G to SAR 2.2 million in 2019G and then (losses) of SAR -6.0 million in 2020G. The decline is mainly due to the completed implementation and delivery of major works for a number of existing projects, in addition to the costs related to a number of projects whose obligations were fulfilled in previous years. This led to a gross loss margin for the Professional Services segment of -6.9 % in 2020G.

Saudization and Capacity Building

The Saudisation and capacity building segment was newly launched in 2020G. Gross profit for Saudisation and capacity building projects was SAR 54.9 million in 2020G, which is equivalent to a total profit margin of 45.1%, related to a project with a governmental entity to provide advisory and operational services to support Saudisation programs.

d) Selling and marketing expenses

The following table summarizes selling and marketing expenses by company for the three financial years ended 31 December 2018G, 2019G and 2020G:

Table (6-13): Selling and Marketing Expenses by Company

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	70,183	84,350	69,836	20.2%	(17.2%)	(0.2%)
Emdad Al Khebrat	2	5	2	150.0%	(60.0%)	0.0%
Tabadul	-	-	7,090	N/A	N/A	N/A
Elm Investment Company	-	-	-	N/A	N/A	N/A
Future Resources	-	-	-	N/A	N/A	N/A
Elm Digital Payments Company*	-	-	-	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A
Subtotal	**70,185**	**84,355**	**76,927**	**20.2%**	**(8.8%)**	**4.7%**
Consolidation adjustments	-	-	-	N/A	N/A	N/A
Total	**70,185**	**84,355**	**76,927**	**20.2%**	**(8.8%)**	**4.7%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The Group's selling and marketing expenses revenues consist of the costs of revenues of Elm and Emdad Al Khebrat in 2018G and 2019G, in addition to the cost of revenue of Tabadul in 2020G. In 2020G, the Company's selling and marketing expenses accounted for about 91% of the total selling and marketing expenses, while Tabadul constituted around 9% of the total.

Elm

Selling and marketing expenses increased from SAR 70.2 million in 2018G to SAR 84.4 million in 2019G, due to the increase in employee expenses in line with the increase in the number of employees related to sales and marketing operations.

Selling and marketing expenses decreased to SAR 69.8 million in 2020G, mainly due to the impact of the coronavirus pandemic, which led to a decrease in advertising campaigns and events, expenses as well as employee costs, since the number of the Company's employees decreased.

Tabadul

Selling and marketing expenses resulting from the acquisition of Tabadul amounted to SAR 7.1 million in 2020G.

The following table summarizes the selling and marketing expenses for the three financial years ended 31 December 2018G, 2019G and 2020G:

Table (6-14): Selling and Marketing Expenses

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Employee salaries and benefits	48,609	59,813	55,778	23.0%	(6.7%)	7.1%
Advertising and exhibitions	9,520	10,932	10,684	14.8%	(2.3%)	5.9%
SADAD service expenses	4,026	5,361	5,943	33.1%	10.9%	21.5%
Public relations	6,229	7,191	3,722	15.4%	(48.2%)	(22.7%)
Other expenses	1,801	1,058	801	(41.2%)	(24.4%)	(33.3%)
Total selling and marketing expenses	70,185	84,355	76,927	20.2%	(8.8%)	4.7%
Key Performance Indicators:					**Variation:**	
Number of employees	107	117	108	10	(9)	1
Monthly cost per employee (SAR)	37,857	42,602	43,039	12.5%	1.0%	6.6%
As a % of revenue					**Percentage**	
Employee salaries and benefits	2.5%	2.8%	2.3%	0.3	(0.6)	(0.3)
Advertising and exhibitions	0.5%	0.5%	0.4%	0.0	(0.1)	(0.1)
SADAD service expenses	0.2%	0.3%	0.2%	0.0	0.0	0.0
Public relations	0.3%	0.3%	0.2%	0.0	(0.2)	(0.2)
Other expenses	0.1%	0.1%	0.0%	0.0	(0.0)	(0.1)
Total selling and marketing expenses	**3.6%**	**4.0%**	**3.1%**	**0.4**	**(0.9)**	**(0.5)**

Source: Audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management analyses

Employee salaries and benefits

employee salaries and benefits expenses increased from SAR 48.6 million in 2018G to SAR 59.8 million in 2019G, mainly driven by the increase in the number of employees by 10 employees, in addition to the increase in bonuses and sales incentives, which led to an increase in the average monthly cost per employee from SAR 37.9 thousand to SAR 42.6 thousand during the same period.

employee salaries and benefits expense decreased to SAR 55.8 million in 2020G, as a result of the decrease in (1) work assignment expenses and employee training costs as a result of restrictions arising from the coronavirus pandemic and (2) the number of employees by nine employees during the same period.

Advertising and exhibitions

Advertising and exhibition costs are related to the Company's marketing costs, particularly major events, and the placement of advertisements in key locations. Advertising and exhibition costs increased from SAR 9.5 million in 2018G to SAR 10.9 million in 2019G, in line with the growth of the Group's business volume.

Advertising and exhibition costs decreased slightly to SAR 10.7 million in 2020G, despite the additional costs resulting from the acquisition, and this is due to the restrictions caused by the coronavirus pandemic on large gatherings and events.

SADAD service expenses

SADAD service charges are associated with fees incurred by the Group to facilitate client payments made through the SADAD service. The fees for each transaction are subject to rates that depend on the number and volume of transactions, ranging from SAR 4.76 to SAR 6.15 per transaction through six progressive segments starting from 500 thousand to more than 10 million transactions.

These expenses increased from SAR 4.0 million in 2018G to SAR 5.4 million in 2019G, mainly driven by the increase in the number of payments in 2019G.

In 2020G, SADAD service expenses increased to SAR 5.9 million, in line with the increase in the number of payments, and maintained a rate close to 0.2% as a percentage of revenue during the same period.

Public relations

Public relations expenses relate to conducting surveys, questionnaires, and other activities undertaken by the Group. These expenses increased from SAR 6.2 million in 2018G to SAR 7.2 million in 2019G, as the Group chose to appoint an external consultant in 2019G for the surveys conducted internally in 2018G.

In 2020G, public relations costs decreased to SAR 3.7 million, due to coronavirus restrictions.

Other expenses

These include bids, offers, contractor costs, business lunches, and other miscellaneous expenses. These expenses gradually decreased over the period, from SAR 1.8 million in 2018G to SAR 1.1 million in 2019G and then to SAR 801 thousand in 2020G, mainly due to the decreased cost of content creation services.

e) Analysis of general and administrative expenses

The following table summarizes general and administrative expenses by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-15): General and Administrative Expenses

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	212,540	198,767	174,201	(6.5%)	(12.4%)	(9.5%)
Emdad Al Khebrat	8,889	15,288	15,991	72.0%	4.6%	34.1%
Tabadul	-	-	61,032	N/A	N/A	N/A
Elm Investment Company	-	-	60	N/A	N/A	N/A
Future Resources	-	-	30	N/A	N/A	N/A
Elm Digital Payments Company*	-	-	30	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Subtotal	221,428	214,055	251,344	(3.3%)	17.4%	6.5%
Consolidation adjustments	(4,406)	(4,406)	(4,406)	N/A	N/A	N/A
Total	217,023	209,649	246,938	(3.4%)	17.8%	6.7%

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Other revenue and expenses include revenues and expenses from the Company and Emdad Al Khebrat in 2018G and 2019G, in addition to revenues from Tabadul, which were earned in 2020G after its acquisition in 2020G.

Elm Technical Investment Co., Future Resources Co., and Elm Digital Payments Co. recorded general and administrative expenses in 2020G amounting to SAR 60 thousand, SAR 30 thousand, and SAR 30 thousand respectively. While in 2018G and 2019G these companies did not record any general and administrative expenses.

Elm

General and administrative expenses decreased from SAR 212.2 million in 2018G to SAR 198.8 million in 2019G. This decrease is mainly due to the decrease in staff costs, which resulted from a decrease in the number of employees. In 2020G, general and administrative expenses decreased to SAR 174.2 million due to the coronavirus pandemic, which led to a decrease in (1) hospitality fees, and (2) consulting expenses as part of the Group's cost-reduction initiatives.

Emdad Al Khebrat

General and administrative expenses increased from SAR 8.9 million in 2018G to SAR 15.3 million in 2019G and then to SAR 15.9 million in 2020G, mainly due to the increase in employee costs as a result of the increase in the number of employees from 24 in 2018G to 33 in 2020G.

Tabadul

As a result of the acquisition of Tabadul, there were additional general and administrative expenses of SAR 61.0 million in 2020G.

The following table summarizes the total general and administrative expenses for the three financial years ended 31 December 2018G, 2019G and 2020G:

Table (6-16): General and Administrative Expenses

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Employee salaries and benefits	141,250	148,781	187,148	5.3%	25.8%	15.1%
Consulting and professional services	15,430	19,704	18,820	27.7%	(4.5%)	10.4%
Hospitality and activities	13,556	16,870	8,783	24.4%	(47.9%)	(19.5%)
Repair and maintenance expenses	6,611	5,162	4,657	(21.9%)	(9.8%)	(16.1%)
Public utilities and communications	4,559	3,924	4,478	(13.9%)	14.1%	(0.9%)
Contractor expenses	4,187	6,370	4,943	51.7%	(22.4%)	8.7%
Rent	18,230	-	-	N/A	N/A	N/A
Other expenses	13,187	8,838	18,109	(33.0%)	104.9%	17.2%
Total general and administrative expenses	217,023	209,649	246,938	(3.4%)	17.8%	6.7%
Key Performance Indicators:						
Number of employees	276	275	338	(1)	63	62

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Monthly cost per employee (SAR)	42,648	45,085	46,141	5.7%	2.3%	4.0%
As a % of revenue					**Percentage**	
Employee salaries and benefits	7.3%	7.1%	7.6%	(0.3)	0.5	0.3
Consulting and professional services	0.8%	0.9%	0.8%	0.1	(0.2)	0.0
Hospitality and activities	0.7%	0.8%	0.4%	0.1	(0.4)	(0.3)
Repair and maintenance expenses	0.3%	0.2%	0.2%	(0.1)	(0.1)	(0.2)
Public utilities and communications	0.2%	0.2%	0.2%	(0.1)	(0.0)	(0.1)
Contractor expenses	0.2%	0.3%	0.2%	0.1	(0.1)	0.0
Rent expenses	0.9%	-	-	(0.9)	-	(0.9)
Other expenses	0.9%	0.4%	0.7%	(0.5)	(0.3)	(0.2)
Total general and administrative expenses	**11.3%**	**10.0%**	**10.0%**	**(1.3)**	**0.0**	**(1.3)**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and the Company's analyses

Employee salaries and benefits

employee salaries and benefits expenses increased from SAR 141.3 million in 2018G to SAR 148.7 million in 2019G due to the increase in the average monthly cost per employee from SAR 42.6 thousand in 2018G to SAR 45.1 thousand in 2019G. This was as a result of (1) appointment of some senior management officials, (2) increased number of employees working at Emdad Al Khebrat, and (3) re-classifying the costs of Engineering Department employees from cost of revenue to general and administrative expenses.

Employee costs increased to SAR 187.1 million in 2020G, primarily driven by the addition of 63 employees as a result of the acquisition of Tabadul.

Consulting and professional services

Consulting and professional services fees are related to the consulting services provided to the Group. Consulting and professional services fees increased from SAR 15.4 million in 2018G to SAR 19.7 million in 2019G, due to non-recurring expenses of SAR 4.2 million related to consulting work to assist in the development of a business plan and document the Group's strategy in 2019G.

Consulting and professional services fees decreased to SAR 18.8 million in 2020G, despite the acquisition of Tabadul, due to coronavirus impact.

Hospitality and activities

Hospitality and activities expenses mostly relate to events, celebrations, and external security services provided for the Company. Hospitality and activities expenses increased from SAR 13.6 million in 2018G to SAR 16.9 million in 2019G, in line with the increase in the Group's revenues.

Hospitality and activities expenses decreased in 2020G to SAR 8.8 million as a result of decrease in events costs due to remote work due to the restrictions caused by COVID-19.

Repair and maintenance expenses

Repair and maintenanceexpenses are mostly associated with periodic repairs of the Group's buildings, which are performed as needed. Repair and maintenance expenses decreased between the financial year 2018G and 2019G and thereafter till the financial year 2020G. These costs amounted to SAR 6.6 million, SAR 5.2 million, and SAR 4.7 million respectively.

Public utilities and communications

Public utilities and communications are related to electricity, water, internet, and other expenses. Public utilities and communications expenses decreased from SAR 4.6 million in 2018G to SAR 3.9 million in 2019G, and increased to SAR 4.5 million in 2020G, as a result of the additional costs arising from the acquisition of Tabadul.

Contractor expenses

Contractor expenses relate to the expenses incurred by the Group for hiring specialists for a specified period. Contractor expenses increased from SAR 4.2 million in 2018G to SAR 6.4 million in 2019G and then decreased to SAR 4.9 million in 2020G, due to the change in contractor costs for the Group's Internal Audit Department.

Other expenses

Other expenses consist of benefits for members of the Board of Directors, committees, and others.

Other expenses decreased from SAR 13.1 million in 2018G to SAR 8.8 million in 2019G. This is due to decrease in expenses of Board of Directors members and committees.

Other expenses increased to SAR 18.1 million in 2020G, as a result of the acquisition of Tabadul.

f) Analysis of other revenues and expenses

The following table summarizes the Group's other revenues and expenses by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-17): Other Revenues and Expenses

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Elm	37,745	32.394	40,304	(14.2%)	24.4%	3.3%
Emdad Al Khebrat	3,616	882	4,694	(75.6)	(432.2%)	(13.9%)
Tabadul	-	-	70	N/A	N/A	N/A
Elm Technical Investment Company	-	-	1,430	N/A	N/A	N/A
Future Resources	-	-	-	N/A	N/A	N/A
Elm Digital Payments Company*	-	-	-	N/A	N/A	N/A
Umrah Premium Services Company	-	-	-	N/A	N/A	N/A
Subtotal	**41,361**	**33,276**	**46,498**	**(19.5%)**	**39.7%**	**6.0%**
Consolidation adjustments	(35,093)	(33,852)	(38,085)	(3.5%)	12.5%	4.2%
Total	**6,267**	**(576)**	**8,413**	**(109.2%)**	**(1560.6%)**	**15.9%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Other revenues and expenses include revenues and expenses from the Company and Emdad Al Khebrat in 2018G and 2019G, in addition to revenues from Tabadul, which resulted in 2020G after its acquisition.

The following table summarizes the total other revenues and expenses for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-18): Other Revenues and Expenses

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Amounts received from the Human Resources Development Fund to support Saudisation	4,100	813	4,722	(80.2%)	480.8%	7.3%
Reversal (formation) of lawsuits provision	-	(2,271)	3,000	N/A	(232.1%)	N/A
Other	2,167	882	691	(59.4%)	(21.7%)	(43.6%)
Total other revenues and expenses	**6,267**	**(576)**	**8,413**	**(109.2%)**	**(1560.6%)**	**15.9%**

Source: Audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management analyses

Other revenue and expenses amounted to SAR 6.3 million in 2018G, mainly related to the amounts received from Human Resources Development Fund to support Saudisation, representing SAR 4.1 million obtained by Emdad Al Khebrat, in addition to various revenues not related to the Company's main activity, which amounted to SAR 2.2 million.

Other revenue and expenses also decreased to SAR 0.6 million in 2019G, as a result of the decrease in the amounts received by Emdad Al Khebrat from the Human Resources Development Fund, which decreased to SAR 0.8 million, in addition to creating a provision for lawsuits of SAR 2.3 million, because of lawsuits filed against the Company, which included a claim to pay rental amounts related to one of the service centres of the Civil Status project. According to the opinion of the Group's Legal Department and the independent legal advisor, there is a 60% chance of losing this case, which may require the Company to pay an amount of SAR 3 million. In addition, other revenues decreased by SAR 1.3 million, as the Company leased one of its offices to other parties in 2018G, which contributed to the increase in other revenues, and the lease contract expired in the first quarter of 2019G.

In 2020G, other revenues amounted to SAR 8.4 million, mostly related to the amounts received from the Human Resources Development Fund, representing SAR 4.7 million. To add, a final judgement was issued in favour of the Group in the lawsuit filed against it, which resulted in the reversal of the provision of SAR 3.0 million as other revenues. Other revenues also decreased by SAR 0.2 million, due to the expiry of the contracts for offices the Company leased.

g) Total other comprehensive income

The following table summarizes the total other comprehensive income for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-19): Other Comprehensive Income

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Net profit for the year	364,333	307,182	306,581	(15.7%)	(0.2%)	(8.3%)
Items that will not be re-classified subsequently in the profit or loss statement						
Change in fair value of investments at FVTOCI	-	1,733	867	N/A	(50.0%)	N/A
Recalculation of the end-of-service provision	(5,919)	(11,660)	260	97.0%	(102.2%)	N/A
Total comprehensive income for the year	**358,414**	**297,255**	**307,708**	**(17.1%)**	**3.5%**	**(7.3%)**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and the management's analyses

Total other comprehensive income includes the Group's net income, along with the change in the fair value of investments and the re-measurement of the provision for end-of-service benefits.

The fair value of investments contains financial assets at fair value, which are investments in several companies, namely, Syarah, Bezaat, Unifonic, and HealthifyMe.

The Group granted end-of-service benefits to its employees, taking into account the requirements of the Labour Law applied in the Kingdom. End-of-service benefits provided under the entitlement scheme represent a lump sum whose value is based on the employees' final salaries, provisions, and their cumulative service years on the end date of service. The entitlements liability recognized in the consolidated statement of financial position for the defined end-of-service entitlements plan is the present value of the defined entitlements liability as of the date on which the reports are prepared. The defined entitlements liability is calculated periodically by qualified actuaries using the projected unit credit method.

6-5-2 Consolidated statement of financial position

The following table presents the Company's consolidated statement of financial position as at 31 December 2018G, 2019G, and 2020G.

Table (6-20): Consolidated Statement of Financial Position

SAR'000	31 December 2018G	31 December 2019G	31 December 2020G	CAGR 2018G–2020G
	Audited	Audited	Audited	
Non-current assets				
Property, machinery, and equipment	375,838	354,832	373,732	-0.3%
Capital work in progress	7,020	48,147	108,538	293.2%
Right-of-use assets	-	153,910	131,458	0.0%
Intangible assets	33,744	18,677	82,978	56.8%
Investments in associates	-	-	213	0.0%
Other financial assets	4,694	16,441	34,273	170.2%
Total non-current assets	**421,296**	**592,007**	**731,192**	**31.7%**
Current assets				
Receivables	1,092,010	1,116,101	1,370,496	12.0%
Contract assets	323,687	414,302	269,127	-8.8%
Prepaid expenses and other accounts receivable	82,326	99,019	79,918	-1.5%
Other financial assets	-	3,755	11,172	0.0%
Bank deposits	341,498	482,063	537,968	25.5%
Cash and cash equivalents	194,462	104,828	1,013,318	128.3%
Total current assets	**2,033,983**	**2,220,068**	**3,281,999**	**27.0%**
Total assets	**2,455,279**	**2,812,075**	**4,013,191**	**27.8%**
Equity				
Issued and paid up capital	50,000	50,000	50,000	0.0%
Proposed capital increase	-	-	450,000	0.0%
Statutory reserve	25,000	25,000	25,000	0.0%
Retained earnings	1,137,307	1,434,562	1,708,936	22.6%
Total equity	**1,212,307**	**1,509,562**	**2,233,936**	**35.7%**
Non-current liabilities				
Capital lease liabilities - non-current	120,648	97,752	74,256	-21.5%
Lease liabilities - non-current	-	119,269	101,534	0.0%
Provision for employee end-of-service benefits	144,029	184,382	228,121	25.9%
Total non-current liabilities	**264,677**	**401,403**	**403,911**	**23.5%**
Current liabilities				
Payables	210,071	169,305	226,712	3.9%
Dues to Related Parties	-	2,538	24,105	0.0%

SAR'000	31 December 2018G	31 December 2019G	31 December 2020G	CAGR 2018G–2020G
	Audited	Audited	Audited	
Contract liabilities	200,084	186,389	227,283	6.6%
Payable expenses and other liabilities	545,829	501,218	779,689	19.5%
Zakat	-	-	65,690	0.0%
Capital lease liabilities - current	22,310	22,895	23,496	2.6%
Lease liabilities - current	-	18,765	28,369	0.0%
Total current liabilities	**978,295**	**901,110**	**1,375,344**	**18.6%**
Total liabilities	**1,242,972**	**1,302,513**	**1,779,255**	**19.6%**
Total liabilities and equity	**2,455,279**	**2,812,075**	**4,013,191**	**27.8%**
Key Performance Indicators				
Average days sales outstanding (days) Average days sales outstanding (days)	212	192	184	-6.8%
Average days payable outstanding (days)	66	49	44	-18.4%
Return on assets	15.1%	11.7%	9.0%	-22.8%
Return on equity	30.5%	22.6%	16.4%	-26.7%

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management information

The average days sales outstanding was calculated based on the average total receivables of net revenue/365 days.

The average days payable outstanding was calculated based on the average accounts payable/365 days.

Return on assets was calculated by dividing net profit before non-controlling interests by average total assets.

Return on equity was calculated by dividing net profit before non-controlling interests by average equity.

Assets

Non-current assets

Non-current assets grew from SAR 421.3 million as at 31 December 2018G to SAR 592.0 million as at 31 December 2019G. This increase is mainly due to the increase in right-of-use assets to SAR 153.9 million as at 31 December 2019G as a result of the adoption of IFRS 16 in 2019G.

Non-current assets increased from SAR 592.0 million as at 31 December 2019G to SAR 731.2 million as at 31 December 2020G. This increase was mainly due to the increase in capital work payments from SAR 48.1 million as at 31 December 2019G to SAR 108.5 million as at 31 December 2020G, as a result of the acquisition of Tabadul.

Current assets

Current assets increased from SAR 2.0 billion as at 31 December 2018G to SAR 2.2 billion as at 31 December 2019G. The increase in 2019G was mainly due to the increase in contract assets in addition to the increase in cash and bank deposits (cummulatively) due to the non-distribution of profits during the year. The increase in 2020G compared to 2019G is mainly due to the increase in cash and cash equivalents and bank deposits (cummulatively) by an amount of SAR 0.9 billion due to the increase in cash flows resulting from the Company's operational activities in addition to the Group's acquisition of Tabadul.

Liabilities and equity

Equity

Total equity increased from SAR 1.2 billion as at 31 December 2018G to SAR 1.5 billion as at 31 December 2019G due to the increase in retained earnings by SAR 0.3 billion as a result of the in the Group's net profit in 2019G coupled with the non-distribution of profits during the last two years.

Total equity increased from SAR 1.5 billion as at 31 December 2019G to SAR 2.2 billion as at 31 December 2020G, mainly due to the proposed increase in capital by SAR 416 million in 2020G as a result of the acquisition of Tabadul, in addition to the increase in retained earnings from SAR 1.4 billion as at 31 December 2019G to SAR 1.7 billion as at 31 December 2020G. This was due to the Group's net profit in 2020G coupled with the non-distribution of profits.

Liabilities

Non-current liabilities

Non-current liabilities increased from SAR 264.7 million as at 31 December 2018G to SAR 401.4 million as at 31 December 2019G. This increase was due to an increase in lease liabilities by SAR 119.3 million as a result of the adoptionof IFRS 16 in 2019G.

Non-current liabilities grew from SAR 401.4 million as at 31 December 2019G to SAR 403.9 million as at 31 December 2020Gdue to the increase in the employee end-of-service provision from SAR 184.4 million to SAR 228.1 million as a result of calculating the year's expenses in addition to the acquisition of Tabadul.

Current liabilities

Current liabilities decreased from SAR 978.3 million as at 31 December 2018G to SAR 901.1 million as at 31 December 2019G due to the decrease in the average period for paying accounts payable during the same period.

Current liabilities increased from SAR 0.9 billion as at 31 December 2019G to SAR 1.4 billion as at 31 December 2020G. This increase was due to the acquisition of Tabadul, which resulted in liabilities of SAR 274 million. In addition, the Group started to pay Zakat as of 2020G.

Non-current assets

a) Property, machinery, and equipment

The following table summarizes property, machinery, and equipment by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-21): Property, Machinery, and Equipment

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	375,838	354,832	344,886	(4.2%)
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	28,846	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**375,838**	**354,832**	**373,732**	**(0.3%)**
Consolidation adjustments	-	-	-	N/A
Total	**375,838**	**354,832**	**373,732**	**(0.3%)**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Total property, machinery, and equipment decreased from SAR 375.8 million as at 31 December 2018G to SAR 354.8 million as at 31 December 2019G, and then to SAR 344.9 million as at 31 December 2020G, mainly due to depreciation of improvements of rented buildings (where no major additions were recorded).

Tabadul

Tabadul was acquired in 2020G, and accordingly, no balance for Tabadul was included in the Group's consolidated financial statements as at 31 December 2018G and 31 December 2019G.

The following table summarizes the net book value of property, machinery, and equipment for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-22): Property, Machinery, and Equipment

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited			CAGR 2018G –2020G
			Cost	Accumulated Depreciation	Net Book Value	
Land	25,760	25,760	33,760	-	33,760	14.5%
Buildings	273,535	267,108	301,110	(31,549)	269,561	(0.7%)
IT devices	13,170	16,230	100,337	(64,480)	35,857	65.0%
Furniture and fixtures	10,083	7,722	44,745	(37,600)	7,145	(30.9%)
Leasehold improvements	51,276	35,870	113,825	(89,343)	24,482	(15.8%)
Vehicles	2,013	2,142	8,233	(5,306)	2,927	20.6%
Total net property, machinery, and equipment	**375,838**	**354,832**	**602,010**	**(228,278)**	**373,732**	**(0.3%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The following table summarizes the movement of property, machinery, and equipment for the financial year ended 31 December 2020G

Table (6-23): Property, Machinery, and Equipment as at 31 December 2020G

SAR'000	1 January 2020G	Acquisition Cost	Additions	Transfers	Exclusions	31 December 2020G
Cost						
Land	25,760	8,000	-	-	-	33,760
Buildings	282,753	18,325	32	-	-	301,110
IT devices	67,421	1,644	20,821	10,687	(236)	100,337
Furniture and fixtures	35,632	7,168	828	1,127	(10)	44,745
Leasehold improvements	105,792	-	23	8,010	-	113,825
Vehicles	8,172	1,738	1,023	-	(2,700)	8, 233
Total	**525,530**	**36,875**	**22,727**	**19,824**	**(2,946)**	**602,010**
SAR'000	**1 January 2020G**	**Acquisition Depreciation**	**Additions**	**Transfers**	**Exclusions**	**31 December 2020G**
Accumulated depreciation						
Land	-	-	-	-	-	-
Buildings	(15,646)	(6,597)	(9,306)	-	-	(31,549)
IT devices	(51,191)	(1,468)	(12,054)	-	233	(64,480)
Furniture and fixtures	(27,909)	(3,670)	(6,030)	-	10	(37,600)
Leasehold improvements	(69,921)	-	(19,422)	-	-	(89,343)
Vehicles	(6,029)	(658)	(1,319)	-	2,700	(5,306)
Total	**(170,697)**	**(12,393)**	**(48,131)**	**-**	**2,943**	**(228,278)**
Net book value						**373,732**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Land

The land balance consists of the land on which the Company's head office is located, whose ownership will be transferred to the Company after full settlement of the payments due (SAR 25.8 million), in addition to the land owned by Tabadul (SAR 8.0 million). The land balance increased from SAR 25.8 million at 31 December 2018G and 2019G to SAR 33.8 million at 31 December 2020G due to the Group's acquisition of Tabadul in 2020G.

Buildings

These consist of the Company's head office and Tabadul which are depreciated over a period of 33 years. The Company's main building was purchased in 2011G (at a total cost of SAR 228.0 million) and additional SAR 53 million was invested in the building in 2018G (primarily related to improvements and construction). Ownership of the building will be transferred to the Group upon completion of the instalment payments by 2024G. The Group has capitalized the remaining payments under capital lease liabilities s (amounting to SAR 97.8 million as of 31 December 2020G). The value of buildings decreased from SAR 273.5 million as at 31 December 2018G to SAR 269.6 million as at 31 December 2020G, mainly due to depreciation throughout the year. There were additions related to the acquisition of Tabadul in 2020G.

IT devices

These include laptops, desktop computers, computer servers, data centres, communication tools, among others. The balance of information technology devices increased from SAR 13.1 million as at 31 December 2018G to SAR 35.9 million as at 31 December 2020G. This increase was mainly due to additions of new laptops in 2020G. Information technology devices are depreciated over a period of three (3) to five (5) years, depended the type of device.

Furniture and fixtures

These include desks, chairs, tables, and cabinets. The balance of furniture and fixtures decreased from SAR 10.1 million as at 31 December 2018G to SAR 7.1 million as at 31 December 2020G, mainly due to depreciation expenses partially offset by additions related to the Group's acquisition of Tabadul in 2020G , which contributed to an increase in the balance of the Group's furniture and fixtures. Furniture is depreciated over a period of five (5) years.

Leasehold improvements

These include improvements and construction carried out in rented offices. Leasehold improvements decreased from SAR 51.3 million as at 31 December 2018G to SAR 35.9 million as at 31 December 2019G and SAR 24.5 million as at 31 December 2020G, mainly due to related depreciation expenses along with the limited additions related to leasehold improvements in 2018G (which is not repeated annually). Leasehold improvements are depreciated over the lease term or five (5) years, whichever is less.

Vehicles

These include cars and vehicles owned by the Company. Vehicles increased from SAR 2.0 million as at 31 December 2018G to SAR 2.9 million as at 31 December 2020G, mainly due to the addition of new vehicles. Vehicles are depreciated on a straight-line basis for four (4) years.

b) Capital work in progress

The following table summarizes capital work in progress by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-24): Capital Work in progress

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	7,020	48,147	54,182	177.8%
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	54,356	N/A
Elm Technical Investment Company	-	-	-	N/A

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**7,020**	**48,147**	**108,538**	**293.2%**
Consolidation adjustments	-	-	-	N/A
Total	**7,020**	**48,147**	**108,538**	**293.2%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Total capital work in progress increased from SAR 7.0 million as at 31 December 2018G to SAR 48.1 million as at 31 December 2019G, and then to SAR 54.2 million as at 31 December 2020G mainly due to nine (9) additional projects related to internally developed programs and platforms in 2019G.

Tabadul

Tabadul was acquired in 2020G, and accordingly, no balance for Tabadul was included in the Group's consolidated financial statements for 2018G and 2019G.

The following table summarizes capital work in progress by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-25): Capital Work In Progress

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Opening balance	46,591	7,020	48,147	1.7%
Acquisition net proceeds	-	-	34,179	0.0%
Additions during the year	12,658	47,254	121,322	209.6%
Transferred to property, machinery, and equipment	(52,229)	-	(19,824)	-38.4%
Transferred to intangible assets	-	(1,497)	(65,884)	0.0%
Exclusions during the year	-	(4,630)	(9,402)	0.0%
Ending balance	**7,020**	**48,147**	**108,538**	**293.2%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Capital work in progress relate to internal development work undertaken to develop programs or project costs related to the client (which require construction work, such as outfitting offices on sites) which will be handed over upon completion. Capital work in progress increased from SAR 7.0 million as at 31 December 2018G to SAR 48.1 million as at 31 December 2019G due to nine (9) additional projects related to internally developed programs and platforms. Also, capital work payments increased to SAR 108.9 million as at December 31 2020G as a result of payments for additional capital work in relation to the infrastructure of Tabadul.

The most significant portions of the additions item for 2018G were the additions of SAR 5.6 million to the Group's headquarters and SAR 1.5 million to the Company's office in Jeddah. In addition, there were additions related to electronic platforms and products: SAR 2.0 million for the Elm-X platform, SAR 1.7 million for the digital payment platform, and SAR 1.8 million for the ELM inspection platform.

As for 2019G, additions were mainly related to electronic platforms and products, with additions of SAR 13.2 million for the ELM inspection platform, SAR 11.9 million for the Elm-X platform, SAR 5.7 million for the Najiz project, and SAR 4.8 million for the central archiving project, in addition to other platforms and products amounting to SAR 11.6 million.

As for 2020G, there were additions of SAR 82.0 million related to Tabadul with regard to the Fasah platform and infrastructure development. In addition, there were additions of SAR 14.1 million for the ELM inspection platform, SAR 6.5 million for the Elm-X platform, and SAR 4.6 million for the SAP system, in addition to other platforms and products of SAR 14.1 million.

c) Right-of-use assets

The following table summarizes right-of-use assets by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-26): Right-of-use Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	153,910	126,052	N/A
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	5,405	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**-**	**153,910**	**131,458**	**N/A**
Consolidation adjustments	-	-	-	N/A
Total	**-**	**153,910**	**131,458**	**N/A**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Right-of-use assets mainly relates to leased offices whose lease term exceeds 12 months. The balance relates to right-of-use operating leases in accordance with IFRS 16 in 2019G.

Elm

Total right-of-use assets decreased from SAR 153.9 million as at 31 December 2019G to SAR 131.5 million as at 31 December 2020G, due to the depreciation of the leased assets.

Tabadul

Tabadul was acquired in 2020G, and accordingly, no balance for Tabadul was included in the Group's consolidated financial statements for 2018G and 2019G.

The following table summarizes right-of-use assets for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-27): Right-of-use Assets

SAR'000	Buildings and Land	Printers	Vehicles	Total
Balance on the date of adoption of the standard, ,1 January 2019G	-	-	-	-
Effect of IFRS 16 adoption	58,566	2,521	-	61,087
Additions during the year	115,068	-	2,918	117,986
Exhaustion	(23,031)	(672)	(1,459)	(25,162)

SAR'000	Buildings and Land	Printers	Vehicles	Total
Balance as at 31 December 2019G	**150,603**	**1,849**	**1,459**	**153,910**
Acquisition proceeds	7,765	-	-	7,765
(Net) additions	7,428	-	-	7,428
Exhaustion	(35,515)	(672)	(1,459)	(37,646)
Balance as at 31 December 2020G	**130,281**	**1,177**	**-**	**131,458**

Source: The Company's audited financial statements for the financial years ended 31 December 2019G and 2020G

Right-of-use assets mainly relate to leased buildings and land. The balance relates to right-of-use operating leases in accordance with IFRS 16 in 2019G. The application of such standard started on 1 January 2019G.

Total right-of-use assets decreased from SAR 153.9 million as at 31 December 2019G to SAR 131.5 million as at 31 December 2020G, due to the depreciation of the leased assets during such period.

a) Intangible assets

The following table summarizes intangible assets by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-28): Intangible Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	33,573	18,644	12,494	-39.0%
Emdad Al Khebrat	170	34	-	N/A
Tabadul	-	-	70,484	N/A
Elm Technology Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**33,744**	**18,677**	**82,978**	**56.8%**
Consolidation adjustments	-	-	-	N/A
Total	**33,744**	**18,677**	**82,978**	**56.8%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Total intangible assets decreased from SAR 33.6 million as at 31 December 2018G to SAR 18.6 million as at 31 December 2019G, and then to SAR 12.5 million as at 31 December 2020G, due to depletion expenses throughout the year.

Tabadul

Tabadul was acquired in 2020G, and therefore there was no balance for Tabadul under the Company's consolidated financial statements in 2018G and 2019G. It represents the biggest part of the balance of intangible assets, amounting to SAR 70.5 million on 31 December 2020G, which was transferred from capital work payments for intangible assets (SAR +65.9 million).

The following table summarizes intangible assets for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-29): Intangible Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Cost				
Balance at the beginning of the year	128,381	128,381	131,831	1.3%
Acquisition cost	-	-	146,460	0.0%
Transferred from construction works in progress	-	-	65,884	0.0%
Additions during the year	-	3,450	881	0.0%
Cost at the end of the year	**128,381**	**131,831**	**345,056**	**63.9%**
Accumulated amortization				
Balance at the beginning of the year	(67,832)	(94,637)	(113,154)	29.2%
Accumulated amortization resulting from acquisition	-	-	(123,089)	0.0%
Amortization during the year	(26,805)	**(18,517)**	**(25,835)**	**-1.8%**
Accumulated amortization at the end of the year	**(94,637)**	**(113,154)**	**(262,078)**	**66.4%**
Net book value at the end of the year	33,744	18,677	82,978	56.8%

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Intangible assets mainly consist of computer software, and decreased from SAR 33.7 million as at 31 December 2018G to SAR 18.7 million as at 31 December 2019G, as a result of amortization during the same period.

Intangible assets increased significantly to reach SAR 83.0 million as at 31 December 2020G, due to the acquisition of Tabadul for SAR 146.5 million, in addition to transfers from capital work in progress of SAR 65.9 million.

b) Other financial assets

The following table summarizes other financial assets by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-30): Other Financial Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	4,694	20,196	32,021	161.2%
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	13,424	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**4,694**	**20,196**	**45,445**	**211.2%**
Consolidation adjustments	-	-	-	N/A
Total	**4,694**	**20,196**	**45,445**	**211.2%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Other financial assets increased from SAR 4.7 million as at 31 December 2018G to SAR 20.2 million as at 31 December 2019G after the Group invested in Syarah and Zid, with an investment value of (SAR 8.9 million) and (SAR 3.8 million) for the two companies, respectively. The increase for 2020G is mainly due to the Group's additional investments in start-up companies and strategic alliances, such as Sahl Al Madar (SAR + 6.2 million), in addition to the increase in the fair value of Unifonic (SAR + 3.5 million) and Syarah (SAR + 1.7 million).

Future Resources

In 2020G, Future Resources Co. invested in Foodics (SAR +4.9 million) retlated to an advance payment for the right to purchase shares later, and Sahl Al Madar (SAR + 6 million) through: (1) a SAR 60,000 equity investment, whereby it obtained 30% ownership of the company, and (2) an advance payment for future ownership rights in the company in the amount of SAR 5.9 million. The fair value of Foodics increased (SAR +1.3 million) during the same year.

The following table summarizes other financial assets for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-31): Other Financial Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Financial assets at fair value through profit or loss	-	3,755	23,141	0.0%
Financial assets at fair value through other comprehensive income	4,694	16,441	22,304	118.0%
Total	**4,694**	**20,196**	**45,445**	**211.2%**
Non-current	4,694	16,441	34,273	170.2%
Current	-	3,755	11,172	0.0%

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Other financial assets are related to investments in other companies held at fair value through other comprehensive income (FVTOCI) and profit and loss (FVTPL). The Group does not have an ownership interest that enables the Group to control any of these investments. Hence, they cannot be consolidated. Fair value through profit or loss relates to financing arrangements of the simple agreement for future equity ("**SAFE**"), as the Group has the right to convert the invested amount into equity after aftera trigger event occurs.. Fair value through other comprehensive income represents strategic contribution investments since the Group owns shares in equity. The Group estimates the investments at fair value in accordance with IFRS 13 (Level 3 inputs).

The value of financial assets increased from SAR 4.7 million as at 31 December 2018G to SAR 20.2 million as at 31 December 2019G and SAR 45.4 million as at 31 December 2020G, mainly due to investment in other companies, in addition to the Group's revaluation of investments. This resulted in an increase in financial assets at fair value through other comprehensive income (SAR +17.6 million) and an increase in financial assets at fair value through profit or loss (SAR +23.1 million).

c) Financial assets at fair value through profit or loss

The following table summarizes financial assets at fair value through profit or loss by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-32): Financial Assets at Fair Value Through Profit or Loss

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	3,755	10,682	N/A
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	12,459	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Subtotal	**-**	**3,755**	**23,141**	**N/A**
Consolidation adjustments	-	-	-	N/A
Total	**-**	**3,755**	**23,141**	**N/A**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The following table summarizes financial assets at fair value through profit or loss for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-33): Financial Assets at Fair Value Through Profit or Loss

SAR'000	Zid	Foodics	Sahl Al Madar	Smart National Solutions	Total
Balance as at 1 January 2019G	3,755	-	-	-	3,755
Additions during the year	-	-	-	-	-
Change in fair value during the year	-	-	-	-	-
Balance as at 31 December 2019G	3,755	-	-	-	3,755
Additions during the year	-	4,999	5,940	4,851	15,790
Consolidation adjustments	1,168	1,250	270	908	3,596
Balance as at 31 December 2020G	**4,923**	**6,249**	**6,210**	**5,759**	**23,141**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Investments held at fair value through profit or loss (FVTPL):

Zid: established under the Commercial Companies Law in Abu Dhabi under Commercial Registration No. 000001640. The company provides integrated technological solutions for the retail sector, where users can set up an electronic portal and specify payment and delivery methods for their customers through an electronic platform.

In 2019G, the Group invested SAR 3.8 million in Zid as a down payment for the right to purchase shares at a later date. The company is specialized in integrated technological solutions for the retail sector, where users can create an electronic portal and specify payment and delivery methods for their customers through an electronic platform. The increase occured on 31 December 2020G due to the increase in the investment value as a result of the fair value revaluation gains (SAR +1.2 million).

Foodics: established under the BVI Business Companies Act under Commercial Registration No. 1941071. The Company provides a unified cloud platform for managing restaurant services, enabling a restaurant to manage its sales and receive digital payments.

In 2020G, the Group invested a total of SAR 5.0 million in Foodics as a down payment for the right to purchase shares at a later stage. The value of this investment increased on 31 December 2020G to SAR 6.2 million. Foodics provides a unified cloud platform to manage catering services and enable restaurants to manage their sales and receive digital payments.

Sahl Al Madar Investment: In 2020G, the Group entered into an investment agreement with Sahl Al Madar. The Group invested SAR 6.0 million, divided into two parts: (1) SAR 60 thousand as an equity investment and ownership of 30% of the company (classified as an investment in an associate), and (2) a down payment on future equity in the company representing the remaining SAR 5.9 million. The activity of Sahl Al Madar is to direct goods transportation vehicles and freight forwarders. This company incurred losses during the year, which were recognized by its ownership percentage of SAR 60.0 thousand. However, the value of the investment increased by SAR 270.2 thousand.

Smart National Solutions: In 2020G, the Group entered into an investment agreement with Smart National Solutions. The Group invested SAR 4.9 million, divided into two parts: (1) SAR 49 thousand, according to which the Group acquired 24% of the ownership (classified as an investment in an associate), and (2) an advance payment for future equity in the company, covering the remaining amount of SAR 4.9 million. The main activities of the company include designing, programming, and maintaining special software, as well as designing websites. The Company achieved profits during the year, and profits of SAR 163.6 thousand were recognized. Moreover, the value of the investment increased by about SAR 907.6 thousand in 2020G.

a) Financial assets at fair value through other comprehensive income

The following table summarizes financial assets at fair value through other comprehensive income by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-34): Financial Assets at Fair Value Through Other Comprehensive Income

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	4,694	16,441	21,339	113.2%
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	965	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**4,694**	**16,441**	**22,304**	**118.0%**
Consolidation adjustments	-	-	-	N/A
Total	**4,694**	**16,441**	**22,304**	**118.0%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The following table summarizes financial assets at fair value through other comprehensive income for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-35): Financial Assets at Fair Value Through Other Comprehensive Income

SAR'000	Syarah	Bezaat	Unifonic	HealthifyMe	Total
Balance as at 1 January 2019G	-	-	4,694	-	4,694
Additions during the year	5,007	5,007	-	-	10,014
Change in fair value during the year	3,849	(4,052)	1,936	-	1,733
Balance as at 31 December 2019G	8,856	955	6,630	-	16,441
Additions during the year	-	-	-	4,995	4,995
Change in fair value during the year	1,710	(290)	3,478	(4,030)	868
Balance as at 31 December 2020G	**10,566**	**665**	**10,108**	**965**	**22,304**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Investments held in other comprehensive income (FVTOCI):

Syarah: established under the BVI Business Companies Act under Commercial Registration No. 1924624. The Company provides many services for car buyers and sellers through the "**Syarah Online**" platform, which is an integrated shopping platform that provides its customers with financing, marketing services, summary reports, and other services.

In 2019G, the Group invested in Syarah (SAR 5.0 million), and the invested amount represents 10% of the total shares paid. The value of the investment increased in 2019G as a result of revaluation at fair value (SAR + 3.8 million) and 2020G (SAR + 1.7 million) to reach SAR 10.6 million as at 31 December 2020G. Syarah provides many services for car buyers and sellers through the "**Syarah Online**" platform, which is an integrated shopping centre platform that provides its customers with financing, marketing services, summary reports, and more.

Bezaat: established under the Cayman Islands Commercial Companies Act. The Company provides insurance solutions, as users can compare and choose the optimal option according to their requirements through the Bezaat platform. In addition, through its platform the Company provides human resources systems and safe automation.

The Group initially invested a total of SAR 5.0 million in 2019G, which represents 1.7% of the total existing preferred stock ownership. The value of the investment decreased in 2019G as a result of the fair value revaluation by (SAR 4.1 million), then an additional decrease in the value was recorded in 2020G as a result of the revaluation by (SAR -0.3 million). Bezaat is a start-up that works in human resources and insurance and helps human resources departments at small- and medium-sized companies in purchasing medical insurance policies.

Unifonic: established under the BVI Business Companies Act under Commercial Registration No. 1887019. The Company provides the latest technology to develop robust communications by adopting a secure API defined by text messages, voice calls, two-factor authentication, and number checking to ensure reliable communication channels between companies and customers.

In 2018G, the Group invested SAR 4.7 million in Unifonic for 1.2% of the share ownership. The value of the investment increased in 2019G as a result of revaluation at fair value by (SAR + 1.9 million) and in 2020G by (SAR + 3.5 million) to reach SAR 10.1 million as at 31 December 2020G. Unifonic provides the latest technologies to develop robust communications by adopting two-factor authentication and number checking to ensure reliable communication channels between companies and customers.

HealthifyMe: established under the Commercial Companies Law of Singapore under Commercial Registration No. ( ). The Company provides a smart phone application that helps users track their sports activity and diet and connects them with human or AI nutrition and fitness specialists.

In 2020G, the Group invested SAR 5.0 million in HealthifyMe for 1.4% of the share ownership. The value of the investment decreased in 2020G as a result of revaluation at fair value by (SAR - 4.0 million) to reach SAR 1.0 million as at 31 December 2020G. The company provides a smart phone application that helps users track their sports activity and diet, and connects them with a nutrition specialist or AI specialist and a fitness specialist.

Investments in associates

The following table summarizes the balance of investments in associates by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-36): Investments in Associates

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	-	213	N/A
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Subtotal	**-**	**-**	**213**	**N/A**
Consolidation adjustments	-	-	-	N/A
Total	**-**	**-**	**213**	**N/A**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

The following table summarizes investments in associates for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-37): Investments in Associates

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Sahl Al Madar	-	-	0	0.0%
Smart National Solutions	-	-	213	0.0%
Total	**-**	**-**	**213**	**0.0%**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management information

On 16 August 2020G, the Company entered into an agreement to invest in Sahl Al Madar Trading Co., which was established under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No. 1010586820. The Company's activity is directing goods transportation vehicles and freight brokers. The Group invested SAR 6 million divided into two parts: SAR 60,000 representing an equity investment according to which it obtained an ownership percentage of 30% of the company, and an advance payment for future ownership rights in the company for the remaining SAR 5,940,000. It should be noted that the Company incurred losses during the year and losses of SAR 60,000 were recognized.

On 1 November 2020G, the Company entered into an agreement to invest in Smart National Solutions for Information Systems Technology, which was established under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No. 1010463892. The main activities of the company include designing and programming special software, maintaining software, and designing web pages. The Group invested SAR 4.9 million divided into two parts: SAR 48,960 representing an equity investment according to which it obtained an ownership percentage of 24% of the company, and an advance payment for future ownership rights in the company representing the remaining SAR 4,851,040. It should be noted that the Company achieved profits during the year and profits of SAR 163,596 were recognized.

Current assets

a) Accounts receivable

The following table summarizes the net receivables by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-38): Accounts Receivable

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	1,079,332	1,102,140	1,310,114	10.2%
Emdad Al Khebrat	12,678	13,961	28,428	49.7%
Tabadul	-	-	31,954	N/A
Elm Technology Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**1,092,010**	**1,116,101**	**1,370,496**	**12.0%**
Adjustments associated with consolidation	-	-	-	N/A
Total	**1,092,010**	**1,116,101**	**1,370,496**	**12.0%**

Source: Management information

*Elm Digital Payments Company was liquidated on 1 June 2021G

Elm

Net receivables increased from SAR 1,079.3 million as at 31 December 2018G to SAR 1,102.1 million as at 31 December 2019G and then to SAR 1,310.1 million as at 31 December 2020G, mainly due to the growth in business volume.

Emdad Al Khebrat

Net receivables increased from SAR 12.7 million as at 31 December 2018G to SAR 13.9 million as at 31 December 2019G and then to SAR 28.4 million as at 31 December 2020G, mainly due to the growth in business volume. It is worth mentioning that the amounts due from the Public Investment Fund are recorded under Related Parties in the stand-alone financial statements of Emdad Al Khebrat, while the amount is recorded under accounts receivable in the Group's consolidated financial statements.

Tabadul

Tabadul was acquired in 2020G, and therefore there is no balance for Tabadul under the Company's consolidated financial statements in 2019G and 2018G.

The following table summarizes accounts receivable for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-39): Accounts Receivable

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Government receivables	866,449	823,733	1,079,623	11.6%
Trade receivables	409,991	466,889	475,419	7.7%
Total accounts receivable	**1,276,440**	**1,290,622**	**1,555,042**	**10.4%**
Expected Credit Losses (ECL) provision	(184,430)	(174,521)	(184,546)	0.0%
Net trade receivables	**1,092,010**	**1,116,101**	**1,370,496**	**12.0%**
Average days sales outstanding (government receivables) *	302 days	255 days	232 days	-12.4%
Average days sales outstanding (trade receivables) *	155 days	178 days	177 days	6.9%
Average collection period (total)	**212 days**	**192 days**	**184 days**	**-6.8%**

* The average collection period for government and trade receivables is calculated based on the total receivables and not on the net amount

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and the Company's analyses

The following table summarizes the ageing of the outstanding debit balances as at 31 December 2020G:

Table (6-40): Ageing of Outstanding Debit Balances

SAR'000	0–90 Days	91–180 Days	181–365 Days	365 Days and Above	Total Accounts Receivable Balance as at 31 December 2020G
Government receivables	388,315	81,414	64,168	545,725	1,079,623
Trade receivables	287,302	29,227	40,723	118,167	475,419
Total accounts receivable	**675,617**	**110,641**	**104,891**	**663,893**	**1,555,042**

Source: The audited consolidated financial statements

Accounts receivable balances represent services and projects for which performance obligations have been fulfilled and invoices have been issued. They refer to the balance of government sector customers (69%) and private sector customers (about 31%). The increase in accounts receivable as at 31 December 2020G was partly related to the coronavirus pandemic, as customers delayed payments due to the economic impact of the pandemic.

Government receivables decreased from SAR 866.4 million on 31 December 2018G to SAR 823.7 million as at 31 December 2020G (SAR -42.7 million), mainly due to the decrease in the balances of many ministries and government entities, such as the Ministry of Social Affairs (SAR 129.2 million), the Human Resources Development Fund (SAR -49.6 million), the Ministry of Health (SAR -21.2 million), the Ministry of Housing (SAR -10.5 million), and others. This was partially offset by an increase in receivables obtained mainly from the General Directorate of Passports (SAR +51.9 million), the Ministry of Interior (SAR +47.0 million), and Riyadh Municipality (SAR +26.1 million).

Government receivables increased from SAR 823.7 million as at 31 December 2019G to SAR 1,079.6 million as at 31 December 2020G, in line with the increase in revenues obtained from government entities, since the number of contracts concluded with government entities and ministries increased in 2020G. These were mainly with the Saudi Data and Artificial Intelligence Authority (SAR +104.8 million), the Ministry of Health (SAR +33.1 million), the Human Resources Development Fund (SAR +26.2 million), the Ministry of Labour (SAR +25.7 million), and the Saudi Technology and Security Comprehensive Control Company (Tahakom) (SAR +20 SAR). . This was partially offset by a decrease in accounts receivable obtained mainly from the Ministry of Finance (SAR -56.5 million), the Ministry of Housing (SAR -26.7 million), and the Ministry of Social Affairs (SAR -23.9 million).

Private receivables increased from SAR 410.0 million on 31 December 2018G to SAR 466.9 million as at 31 December 2019G, due to the increase in the number of projects with private companies during the same period, mainly driven by the signing of new contracts with Allied Cooperative Insurance Group (ACIG) (SAR +16.6 million), National Commercial Bank (SAR +12.1 million), Uber (SAR +10.5 million), and others. This was partially offset by a decrease in receivables mainly from Careem (SAR -3.0 million) and Salama Cooperative Insurance Co. (SAR -2.7 million). In addition to the slight delay in collection from private sector customers, the average days sales outstanding increased from 155 days in 2018G to 178 days in 2019G.

Private receivables increased from SAR 466.9 million as at 31 December 2019G to SAR 475.4 million as at 31 December 2020G, in line with the increase in revenues and the number of contracts concluded with the private sector.

Among trade receivables, amounts due from Related Parties increased from SAR 8.9 million as at 31 December 2018G to SAR 10.2 million as at 31 December 2019G and to SAR 24.3 million as at 31 December 2020G. These amounts represent sales concluded for the owner of the Public Investments Fund.

The following table summarizes the movement in the provision for expected credit losses for receivables for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-41): Movement in the Provision for Expected Credit Losses for Receivables

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Balance at the beginning of the year	133,947	184,430	174,521	14.1%
Impact of the application of IFRS 9	67,752	-	-	0.0%
Acquisition proceeds	-	-	1,979	0.0%
Provision made during the year	3,136	-	8,046	60.2%
Reversal of provision during the year	(20,405)	(9,909)	-	0.0%
Balance at the end of the year	**184,430**	**174,521**	**184,546**	**0.03%**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and the Company's analyses

The Group uses forward-looking information based on assumptions about the future drivers of various economic factors and how these drivers affect each other. The Group also uses estimates to calculate loss ratios. In addition, according to management's estimates, the Group forms an additional provision for expected credit losses in specific cases.

The provision for credit losses decreased from SAR 184.4 million on 31 December 2018G to SAR 174.5 million as at 31 December 2019G, mainly due to the reclassification of SAR 9.9 million from the provision for credit losses for receivables to the provision for credit losses for contract assets.

As at 31 December 2020G, the provision for credit losses on collection increased to SAR 184.5 million as a result of the growth in expected credit losses during the year, due to the increase in old receivables for more than one year (SAR + 114.6 million).

b) Contract assets

The following table summarizes net contract assets by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-42): Contract Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	323,687	414,302	269,075	-8.8%
Emdad Al Khebrat	-	-	52	N/A

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**323,687**	**414,302**	**269,127**	**(8.8%)**
Consolidation adjustments	-	-	-	N/A
Total	**323,687**	**414,302**	**269,127**	**(8.8%)**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Net contract assets increased from SAR 323.7 million on 31 December 2018G to SAR 414.3 million as at 31 December 2019G, mainly due to the increase in revenue due and payable to the Group because of the Company's inability to execute billing due to the delay in some completion certificates for a number of existing projects. In 2020G, net contract assets decreased to SAR 269.1 million due to the receipt of a number of completion certificates for a number of existing projects that were pending in 2019G.

Emdad Al Khebrat

Net contract assets amounted to SAR 52 thousand on 31 December 2020G, the majority of which were related to government receivables.

The following table summarizes contract assets for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-43): Contract Assets

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Government contract assets	290,947	376,124	303,722	2.2%
Private contract assets	56,138	71,485	25,459	-32.7%
Total contract assets	**347,085**	**447,609**	**329,181**	**-2.6%**
Expected Credit Losses (ECL) provision	(23,398)	(33,307)	(60,054)	60.2%
Net contract assets	**323,687**	**414,302**	**269,127**	**-8.8%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The following table summarizes the ages of contract assets as at 31 December 2020G:

Table (6-44): Aging of Contract Assets

SAR'000	0–90 Days	91–180 Days	181–365 Days	365 Days and Above	Total Accounts Receivable Balance as at 31 December 2020G
Government contract assets	130,202	47,963	33,121	92,436	303,722
Private contract assets	11,250	308	1,534	12,368	25,459
Total contract assets	**141,452**	**38,271**	**34,655**	**104,804**	**329,181**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Contract assets represent the value of works executed by the Group for projects that have not completed their billing milestone.

Contract assets are primarily concentrated with the government, as 92% of the contract assets relate to projects performed with government entities as at 31 December 2020G.

The following table summarizes the movement in the provision for expected credit losses for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-45): Movement in the Provision for Expected Credit Losses

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Balance at the beginning of the year	1,227	23,398	33,307	420.9%
Provision made during the year	22,170	9,909	26,747	9.8%
Balance at the end of the year	**23,397**	**33,307**	**60,054**	**60.21%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The Group uses forward-looking information based on assumptions about the future drivers of various economic factors and how these drivers affect each other. The Group uses estimates to calculate loss ratios and, at the management's discretion, creates a provision for additional expected credit loss for specific cases.

The provision for expected credit losses against the value of governmental contract assets is adopted on a case-by-case basis, and the management determines the balances that need a specific reduction or deletion. Nevertheless, for the provision for expected credit losses against private contract assets.

The total provision for expected credit losses grew from SAR 23.4 million as at 31 December 2018G to SAR 33.3million as at 31 December 2019G and to SAR 60.0 million as at 31 December 2020G, due to the management's assessment of certain cases whose billing cycle is not expected to be completed.

c) Prepaid expenses and other accounts receivable

The following table summarizes prepaid expenses by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-46): Prepaid Expenses

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	77,668	89,999	65,684	(8.0%)
Emdad Al Khebrat	4,658	9,019	10,700	51.6%
Tabadul	-	-	3,534	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**82,326**	**99,019**	**79,918**	**(1.5%)**
Consolidation adjustments	-	-	-	N/A
Total	**82,326**	**99,019**	**79,918**	**(1.5%)**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

Total prepaid expenses increased from SAR 77.7 million as at 31 December 2018G to SAR 90.0 million as at 31 December 2019G, due to an increase in prepaid expenses and employee advances, which were partially offset by a decrease in prepayments and deferred costs.

Total prepaid expenses dropped from SAR 90.0 million as at 31 December 2019G to SAR 65.7 million as at 31 December 2020G, mainly attributable to the changes in the total prepaid security deposit and rent balance, deferred costs, and employee advances.

Emdad Al Khebrat

Total prepaid expenses increased from SAR 4.7 million as at 31 December 2018G to SAR 9.0 million as at 31 December 2019G, due to the increase in prepaid security deposits.

Total prepaid expenses increased from SAR 9.0 million as at 31 December 2019G to SAR 10.7 million as at 31 December 2020G, due to the increase in prepaid security deposits.

Tabadul

The acquisition of Tabadul occured in 2020G, consequently, no balance for Tabadul was listed within the Company's consolidated financial statements in 2019G and 2018G.

The following table summarizes the prepaid expenses and other accounts receivable for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-47): Prepaid Expenses and Other Accounts Receivable

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Prepaid security deposits and rent	25,317	31,583	30,180	9.2%
Deferred costs	16,551	29,479	24,330	21.2%
Employee advances	27,997	31,276	19,184	-17.2%
Advance payments to suppliers	11,549	3,261	3,732	-43.2%
Payable returns on bank deposits	242	2,825	909	93.8%
Other	670	595	1,583	53.7%
Total	**82,326**	**99,019**	**79,918**	**-1.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Prepaid security deposits and rent

This primarily includes advance payments for licenses, security deposits, and other prepaid expenditures. Prepaid expenses increased from SAR 25.3 million on 31 December 2018G to SAR 31.6 million as at 31 December 2019G, and then to SAR 30.2 million on 31 December 2020G, primarily attributable to the increase in advance payments prior to 31 December 2019G year-end.

Deferred costs

These primarily relate to the costs of projects/products which have been incurred however not yet billed to customers.. The changes that took place during the period, from SAR 16.5 million on 31 December 2018G to SAR 29.5 million on 31 December 2019G and SAR 24.3 million on 31 December 2020G are in line with the progress status of ongoing projects. As more projects approach the delivery stage, deferred costs are expected to drop, and vice- versa.

Employee advances

These increased from SAR 28.0 million on 31 December 2018G to SAR 31.3 million on 31 December 2019G due to the increase of loans extended to employees. However, this policy was suspended in FY 2020G due to the coronavirus pandemic, which lowered employee advances to SAR 19.2 million on 31 December 2020G.

Advance payments to suppliers

The decrease in advance payments from SAR 11.5 million on 31 December 2018G to SAR 3.7 million on 31 December 2020G is attributable to the decrease in advance payments paid to suppliers.

Payable returns on bank deposits

These mainly relate to the interest payable on short-term deposits. The variations during the period primarily relate to the due date of the deposit, along with the principal deposit amount.

Other

This includes letters of guarantee and petty cash. The increase from SAR 0.7 million on 31 December 2018G to SAR 1.6 million on 31 December 2020G is associated with the acquisition of Tabadul by the Group in 2020G.

d) Bank deposits

The following table summarizes bank deposits for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-48): Bank Deposits

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	341,498	482,063	537.968	25.5%
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**341,498**	**482,063**	**537.968**	**25.5%**
Consolidation adjustments	-	-	-	N/A
Total	**341,498**	**482,063**	**537.968**	**25.5%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Bank deposits primarily include term deposits with local banks whose maturity periods range between three months and one year. As such, the interest rate for each term deposit varies depending on the term, the amount, and the bank. Bank deposits increased from SAR 341.5 million as at 31 December 2018G to SAR 482.1 million as at 31 December 2019G and to SAR 538.0 million as at 31 December 2020G.

e) Cash and cash equivalents

The following table summarizes the balances of the cash and cash equivalents by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-49): Cash and Cash Equivalents

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	194,089	103,785	530,462	65.3%
Emdad Al Khebrat	373	493	13,162	494.0%
Tabadul	-	-	469,144	N/A
Elm Technical Investment Company	-	500	500	N/A
Future Resources	-	50	50	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**194,462**	**104,828**	**1,013,318**	**128.3%**
Consolidation adjustments	-	-	-	N/A
Total	**194,462**	**104,828**	**1,013,318**	**128.3%**

*Elm Digital Payments Company was liquidated on 1 June 2021G

Source: Management information

Elm

The total cash and cash equivalents balance decreased from SAR 194.1 million as at 31 December 2018G to SAR 103.8 million as at 31 December 2019G, and then increased to SAR 530.5 million million as at 31 December 2020G, primarily in line with the decrease in cash flow arising from working capital for the year 2019G. The increase that occurred in 2020G is primarily attributable to the improved speed of collection.

Emdad Al Khebrat

The total cash and cash equivalents balance increased from SAR 0.4 million as at 31 December 2018G to SAR 0.5 million as at 31 December 2019G and then to SAR 13.2 million as at 31 December 2020G, as a result of the improved speed of collection and for retaining profits in 2020G.

Tabadul

The acquisition of Tabadul occured in 2020G, consequently, no balance for Tabadul was listed within the Company's consolidated financial statements in 2019G and 2018G.

Elm Technical Investment Company

The total cash and cash equivalents balance was stable at SAR 500 thousand as at 31 December 2019G and 2020G, as it represented the capital deposited therein.

Future Resources

The total cash and cash equivalents balance was stable at SAR 50 thousand as at 31 December 2019G and 2020G, which represents the capital deposited therein.

The following table summarizes the cash and cash equivalents balance for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-50): Cash and Cash Equivalents

SAR'000	31 December 2018G	31 December 2019G	31 December 2020G	CAGR 2018G–2020G
Cash at banks	74,462	104,828	247,918	82.5%
Short-term Murabaha deposits	120,000	-	765,400	152.6%
Total	**194,462**	**104,828**	**1,013,318**	**128.3%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The cash and cash equivalents balance increased during the period, from SAR 194.5 million on 31 December 2018G to SAR 1.0 billion on 31 December 2020G, primarily in line with the improved speed of collection and the decrease in the dividends paid (during 2019G and 2020G).

Non-current liabilities

a) Capital lease liabilities (current and non-current)

The following table summarizes real estate purchase liabilities (current and non-current) by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-51): Capital Lease Liabilities (Current and Non-Current)

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	142,957	120,648	97,752	(17.3%)
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**142,957**	**120,648**	**97,752**	**(17.3%)**
Consolidation adjustments	-	-	-	N/A
Total	**142,957**	**120,648**	**97,752**	**(17.3%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Capital lease liabilities relate to the Company's head office, which was purchased based on scheduled instalments.

Capital lease liabilities decreased from SAR 143.0 million as at 31 December 2018G to SAR 97.8 million as at 31 December 2020G due to the repayment of instalments.

b) Lease liabilities (current and non-current)

The following table summarizes lease liabilities (current and non-current) by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-52): Lease Liabilities (Current and Non-Current)

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	138,034	125,125	N/A
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	4,778	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**-**	**138,034**	**129,903**	**N/A**
Consolidation adjustments	-	-	-	N/A
Total	**-**	**138,034**	**129,903**	**N/A**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Lease liabilities amounted to SAR 129.9 million on 31 December 2020G, and they relate to the estimated present value of the Group's operating lease payments (in accordance with IFRS 16). Lease liabilities decreased from SAR 138.0 million as at 31 December 2019G to SAR 129.9 million as at 31 December 2020G, driven by the depreciation of the balance during the same period.

c) Employee defined benefit liabilities

The following table summarizes the employee end-of-service provision by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-53): Table 653: Employee End-of-Service Provision

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	135,185	170,091	197,814	21.0%
Emdad Al Khebrat	8,844	14,291	20,784	53.3%
Tabadul	-	-	9,523	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**144,029**	**184,382**	**228,121**	**25.9%**
Consolidation adjustments	-	-	-	N/A
Total	**144,029**	**184,382**	**228,121**	**25.9%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

The total employee end-of-service provision grew from SAR 135.2 million as at 31 December 2018G to SAR 170.1 million as at 31 December 2019G, then to SAR 197.8 million as at 31 December 2020G, due to the increase in the number of employees (in 2019G) in addition to the increase in the average salary per employee (in 2019G and 2020G).

Emdad Al Khebrat

The total employee end-of-service provision increased from SAR 8.8 million as at 31 December 2018G to SAR 14.3 million as at 31 December 2019G, then to SAR 20.8 million as at 31 December 2020G, due to the increase in the number of employees (in 2019G) in addition to the increase in the average salary per employee (in 2019G and 2020G).

Tabadul

The acquisition of Tabadul took place in 2020G, consequently, no balance for Tabadul was listed within the Company's consolidated financial statements in 2018G and 2019G.

The following table summarizes the total employee end-of-service provision for the three years ended 31 December 2018G, 2019G, and 2020G:

Table (6-54): Employee End-of-Service Provision

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Opening balance - the present value of the employee end-of-service provision	119,801	144,029	184,382	24.1%
Value resulting from the acquisition	-	-	8,080	0.0%
Present service cost	27,821	31,118	42,670	23.8%
Present service financing cost	5,990	7,199	6,859	7.0%
Costs transferred to works under construction	-	-	(928)	0.0%
Benefits paid	(15,503)	(9,624)	(12,682)	-9.6%

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Actuarial (gains)/losses arising from the liability	5,919	11,660	(260)	N/A
Present value of the employee end-of-service provision	**144,029**	**184,382**	**228,121**	**25.9%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The following table summarizes the sensitivity analysis of actuarial assumptions for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-55): Sensitivity Analysis of Actuarial Assumptions

SAR'000	31 December 2018G Audited		31 December 2019G Audited		31 December 2020G Audited	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (change by 1%)	(13,792)	16,390	(17,949)	21,343	(21,660)	25,726
Salary increase rate (change by 1%)	16,598	(14,220)	21,545	(18,456)	25,901	(22,220)
Mortality rate (change by 10%)	(25)	25	(32)	33	(41)	41
Employee turnover rate (change by 10%)	(2,086)	2,242	(2,445)	2,623	(2,759)	2,970

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

The defined benefits liability is calculated on an annual basis by qualified actuarial experts using the projected credit unit method. The remeasured sums, if any, are recognised and declared within equity rights in the statement of changes in equity rights, and the corresponding increase or decrease is carried in other comprehensive income, which consists of actuarial gains and losses arising from the defined benefits liability.

Employee end-of-service compensation increased from SAR 144.0 million on 31 December 2018G to SAR 228.1 million as at 31 December 2020G, due to the increase in the number of employees (in 2019G) in addition to the increase in the average salary per employee (in 2019G and 2020G).

Current liabilities:

a) Accounts payable

The following table summarizes accounts payable by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-56): Accounts payable

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	208,828	165,934	208,006	-0.2%
Emdad Al Khebrat	3,038	3,371	5,921	39.6%
Tabadul	-	-	12,785	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**207,866**	**169,304**	**226,712**	**4.4%**
Consolidation adjustments	-	-	-	N/A
Total	**207,866**	**169,304**	**226,712**	**4.4%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Trade payables primarily relate to suppliers that supply operational works to the Group.

Trade payables decreased from SAR 210.1 million as at 31 December 2018G to SAR 169.3 million as at 31 December 2019G as the Group expedited its settlement cycle, as shown in the decrease in the average accounts payable period from 66 days to 49 days during the same period.

Trade payables grew to SAR 226.7 million as at 31 December 2020G in line with the significant increase in operations and the growth associated with the purchase of devices and software.

b) Contract liabilities

The following table summarizes contract liabilities by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-57): Contract Liabilities

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	200,084	186,502	227,283	6.6%
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	-	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**200,084**	**186,502**	**227,283**	**6.6%**
Consolidation adjustments	-	-	-	N/A
Total	**200,084**	**186,502**	**227,283**	**6.6%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Contract liabilities relate to deferred revenues with the cash received in advance for annual product subscriptions. Upon collection, deferred revenues are recorded and the revenue is recognised throughout the subscription period. Contract liabilities decreased from SAR 200.1 million as at 31 December 2018G to SAR 186.4 million as at 31 December 2019G, primarily driven by, among other things, the decrease in deferred revenues relating to Muqeem subscriptions (SAR -6.3 million).

Contract liabilities increased from SAR 186.4 million as at 31 December 2019G to SAR 227.3 million as at 31 December 2020G, driven by the further expansion of the Group during the period and the securing of additional revenues.

c) Payable expenses and other liabilities

The following table summarizes accrued expenses and other liabilities by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-58): Payable Expenses and Other Liabilities

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	528,322	477,178	536,760	0.8%
Emdad Al Khebrat	17,507	26,027	27,977	26.4%
Tabadul	-	-	217,952	N/A
Elm Technical Investment Company	-	-	-	N/A
Future Resources	-	-	-	N/A
Elm Digital Payments Company*	-	-	-	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**545,829**	**501,218**	**779,689**	**19.5%**

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Consolidation adjustments	-	-	-	N/A
Total	**545,829**	**501,218**	**779,689**	**19.5%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Total accrued expenses and other liabilities decreased from SAR 528.3 million as at 31 December 2018G to SAR 477.2 million as at 31 December 2019G, then increased to SAR 533.8 million as at 31 December 2020G, primarily due to fluctuations in contract costs, employee dues, and advance payments from clients.

Emdad Al Khebrat

Total accrued expenses and other liabilities increased from SAR 17.5 million as at 31 December 2018G to SAR 26.0 million as at 31 December 2019G, then to SAR 28.0 million as at 31 December 2020G, in line with the growth in business volume.

Tabadul

Tabadul was acquired in 2020G, consequently there was no balance for Tabadul in the Company's consolidated financial statements in 2019G and 2018G.

The following table summarizes total accrued expenses and other liabilities for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-59): Accrued Expenses and Other Liabilities

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Contract costs	265,124	232,096	239,258	-5.0%
Employee dues	165,264	159,814	187,541	6.5%
Income-sharing projects	-	17,142	120,120	0.0%
Advance payments from clients	54,517	55,031	88,794	27.6%
Marketing and selling commissions	20,272	23,933	23,614	7.9%
Suppliers' retained sums	2,093	7,745	10,346	122.3%
Unpaid dividends	28,129	-	-	0.0%
Other	10,430	5,457	110,016	224.8%
Total	**545,829**	**501,218**	**779,689**	**19.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Contract costs

Contract costs primarily relate to the cost incurred on the Group's projects during performance of the required services by suppliers, which has not been billed yet. Such dues are generally estimated by the management throughout the project term, and they are reversed/adjusted when they are billed by the supplier.

Contract costs decreased from SAR 265.1 million on 31 December 2018G to SAR 232.1 million as at 31 December 2019G as a result of the decrease in the offset accounts (by SAR -69.8 million) as the Group improved the internal approval process, accordingly, these dues have been transferred to trade payables at a faster pace as compared to the previous period.

Contract costs increased to SAR 239.3 million on 31 December 2020G as a result of the continuous growth in operations (by SAR +41.9 million) and were partially offset by a decrease in the offset accounts (by SAR -34.5 million) as the Group continued improving the internal approval process.

Employee dues

These mainly consist of accumulated employee costs (annual leave, salaries, sale incentives, social security, medical insurance, etc.). Employee dues decreased from SAR 165.2 million on 31 December 2018G to SAR 159.8 million on 31 December 2019G as a result of the decrease in compensation benefits, which was partially offset by the increase in sale incentive benefits in line with the increase in revenues.

Employee dues increased to SAR 187.5 million on 31 December 2020G, primarily due to the increase in employee annual compensation dues, in addition to the Group's acquisition of Tabadul in 2020G.

Income-sharing projects

Income-sharing projects relate to income-sharing and profit-sharing agreements by the Group in government projects.

Income-sharing project dues rose to SAR 120.1 million on 31 December 2020G after the acquisition of Tabadul by the Group in 2020G, as the financial statements of Tabadul were consolidated with the Group's consolidated financial statements, and due to the signing of a new profit-sharing agreement with a government entity as of 1 January 2020G.

Advance payments from clients

Advance payments from clients remained relatively stable at SAR 54.4 million between 31 December 2018G and 2019G, then they increased to SAR 88.8 million on 31 December 2020G due to the increase in unused prepaid subscription balances paid by clients.

Marketing and selling commissions

These primarily relate to employee sales incentives. The increase from SAR 20.3 million on 31 December 2018G to SAR 23.9 million and SAR 23.6 million on 31 December 2019G and 2020G respectively is attributable to the increase in sales during the same period. The Group has not imposed any changes to the sale incentives policy during the period 2018G–2020G.

Retention payable

Retention payable usually relate to 10% of the purchase order amount retained by the Group against certain suppliers to guarantee proper satisfaction of the conditions agreed upon. Retention payable increased grew from SAR 2.1 million on 31 December 2018G to SAR 10.3 million on 31 December 2020G due to the increase in retained amounts in line with the increase in the number of contracts concluded with suppliers, in addition to the acquisition of Tabadul.

Unpaid dividends

Declared and payable dividends which have not been paid to the Shareholders. The unpaid dividend balance for 2018G amounted to SAR 28.1 million. The Group reclassified this item to the balance due to Related Parties item in the financial statements for 2020G.

Other

Other accrued expenses primarily relate to the provisions created for lawsuits related to Tabadul, payable operation expenditures, payable customs duties, and accumulated outsourcing costs. Other accrued expenses decreased from SAR 10.4 million as at 31 December 2018G to SAR 5.5 million as at 31 December 2019G, due to the decrease in other accrued expenses. Other accrued expenses grew to SAR 110.0 million as at 31 December 2020G, due to the acquisition of Tabadul as other accrued expenses amounted to SAR 104.0 million.

The following table summarizes Zakat by company for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-60): Zakat

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	-	52,897	N/A
Emdad Al Khebrat	-	-	5,142	N/A
Tabadul	-	-	7,588	N/A

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm Technical Investment Company	-	-	11	N/A
Future Resources	-	-	39	N/A
Elm Digital Payments Company*	-	-	13	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**-**	**-**	**65,690**	**N/A**
Consolidated adjustments	-	-	-	N/A
Total	**-**	**-**	**65,690**	**N/A**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

In 2021G, a royal decree was issued stipulating that the companies owned by the Public Investment Fund, whether directly or indirectly, must pay Zakat as of 2020G, as such companies were not subject to Zakat before. Accordingly, the Group recognised Zakat payable in the amount of SAR 65.7 million as at 31 December 2020G.

d) Transactions with Related Parties

Dues to Related Parties

The following table summarizes dues to Related Parties by company for the three financial years ended 31 December 2018G, 2019G, and 2020G

Table (6-61): Dues to Related Parties

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	-	2,538	10,119	N/A
Emdad Al Khebrat	-	-	-	N/A
Tabadul	-	-	13,986	N/A
Elm Technical Investment Company	-	-	16,131	N/A
Future Resources	-	-	16,024	N/A
Elm Digital Payments Company*	-	-	30	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**-**	**2,538**	**56.290**	**N/A**
Consolidation adjustments	-	-	(32,185)	N/A
Total	**-**	**2,538**	**24,105**	**N/A**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Total dues to Related Parties amounted to SAR 10.1 million as at 31 December 2020G, and primarily relate to accounts payable to Unifonic (SAR 8.1 million) and to others (SAR 2.1 million).

Tabadul

Tabadul was acquired in 2020G, and therefore there was no balance for Tabadul under the Company's consolidated financial statements in 2018G and 2019G. Total dues to Related Parties amounted to SAR 14.0 million as at 31 December 2020G, and primarily relate to a sum payable to the Public Investment Fund. According to the management, the sum payable to the Public Investment Fund is a financing in nature (a loan that was extended to Tabadul in 2011G with an annual fixed instalment of SAR 14.5 million). The balance dropped from SAR 39.9 million as at 31 December 2018G to SAR 14.0 million as at 31 December 2020G, driven by the repayment of the loan to the Public Investment Fund.

Elm Technical Investment Company

Total dues to Related Parties amounted to SAR 16.1 million as at 31 December 2020G, and primarily represent payments which have been paid by Elm on behalf of the company.

Future Resources

Total dues to Related Parties amounted to SAR 16.0 million as at 31 December 2020G, and primarily represent payments which have been paid by Elm on behalf of the company.

Elm Digital Payments Company

Total dues to Related Parties amounted to SAR 0.03 million as at 31 December 2020G, and primarily represent payments which have been paid by Elm on behalf of the company.

The following table summarizes total dues to Related Parties for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-62): Dues to Related Parties

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Loan from the Public Investment Fund	-	-	13,896	0.0%
Unifonic	-	551	8,093	0.0%
Smart National Solutions	-	-	130	0.0%
Dividends payable	-	1,987	1,987	0.0%
Total	**-**	**2,538**	**24,105**	**0.0%**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G, and Management Analysis

Amounts due to Related Parties grew from SAR 2.5 million as at 31 December 2019G to SAR 24.1 million as at 31 December 2020G, primarily driven by a sum payable to the Public Investment Fund (SAR 13.9 million), which is a loan that was extended to Tabadul in 2011G with an annual fixed instalment of SAR 14.5 million, noting that a sum of SAR 1.2 million in financing costs is carried on the profit and loss statement related to the loan, and that the final settlement of the loan is scheduled for the second quarter of 2021G. Unifonic (SAR 8.1 million) and Smart National Solutions (SAR 130 thousand), which are associates. Such sums represent items purchased by the Group from such companies, and payable dividends (SAR 2.0 million).

Transactions with Related Parties

Table (6-63): Transactions with Related Parties

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Transactions with Related Parties				
Transactions with the Shareholder: Service revenues	8,618	24,800	26,249	74.5%
Transactions with the shareholder: Dividends paid	256,259	-	33,487	(63.9%)
Transactions with the Board of Directors and senior management: Salaries and benefits	14,929	15,191	22,537	22.9%
Transactions with the Board of Directors and senior management: Compensation and allowances	17,820	12,982	12,914	(14.9%)
Transactions with the Board of Directors and senior management: End-of-service benefits	1,925	1,947	1,665	(7.0%)
Balances with Related Parties				
Due from Related Parties listed within trade receivables for service revenues	8,994	10,231	24,290	64.3%
Due to Related Parties listed within accrued expenses and other liabilities for dividends	28,129	-	-	0.0%
End-of-service benefits for senior management	15,071	10,240	12.252	(97.1%)
Loan from the Public Investment Fund	-	-	13,896	0.0%
Due to Unifonic	-	551	8,093	0.0%
Due to Smart National Solutions	-	-	130	0.0%
Dividends payable	-	1,987	1,987	0.0%

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G , and Management Analysis

Trade receivables, accrued expenses and other liabilities, as well as end-of-service benefits include Related Party sums, and dues from Related Parties listed within trade receivables for service revenues amounted to SAR 9.0 million on 31 December 2018G, SAR 10.2 million on 31 December 2019G, and SAR 24.3 million on 31 December 2020G. Dues to Related Parties listed within accrued expenses and other liabilities for dividends amounted to SAR 28.2 million on 31 December 2018G. End-of-service benefits for senior management amounted to SAR 15.1 million on 31 December 2018G, SAR 10.2 million on 31 December 2019G, and SAR 12.3 million on 31 December 2020G.

Contingent liabilities

The Group has outstanding bank letters of guarantee amounting to SAR 66.7 million as of 31 December 2020G. (SAR 82.1 million as at 31 December 2019G). The Group also has capital and operating liabilities amounting to SAR 439 million as of 31 December 2020G.

Equity

The following table summarizes equity by company for the three financial years ended at 31 December 2018G, 2019G, and 2020G:

Table (6-64): Equity

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Elm	1,213,358	1,512,110	2,264,888	36.6%
Emdad Al Khebrat	88,775	116,723	167,225	37.2%
Tabadul	-	-	397.202	N/A
Elm Technical Investment Company	-	500	1,858	N/A
Future Resources	-	50	(2,588)	N/A
Elm Digital Payments Company*	-	-	457	N/A
Umrah Premium Services Company	-	-	-	N/A
Subtotal	**1,302,133**	**1,629,383**	**2,829,042**	**47.4%**
Consolidation adjustments	(89,826)	(119,821)	(595,106)	157.4%
Total	**1,212,307**	**1,509,562**	**2,233,936**	**35.7%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The following table summarizes total equity by company for the three financial years ended at 31 December 2018G, 2019G, and 2020G:

Table (6-65): Equity

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	CAGR 2018G–2020G
Issued and paid up capital	50,000	50,000	50,000	0%
Proposed capital increase	-	-	450,000	0%
Statutory reserve	25,000	25,000	25,000	0%
Retained earnings	1,137,307	1,434,562	1,708,936	22.6%
Total	**1,212,307**	**1,509,562**	**2,233,936**	**35.7%**

Source:

Issued and paid up capital

The Company's share capital consisted of 5.0 million shares with a nominal value of SAR 10 per share as at 31 December 2020G.

Proposed capital increase

During 2020G, the General Assembly agreed to increase the Company's capital by SAR 450 million, through transferring SAR 33.3 million from retained earnings and SAR 416.7 million resulted from the acquisition of Tabadul, this is done by issuing 45 million ordinary shares. The regulatory procedures related to such increase were completed in 2021G.

Statutory reserve

Pursuant to the Companies Law and the Company's By-laws, the Company must set aside 10% of its income per year as a statutory reserve. Pursuant to the Company's By-laws, the Company may decide to discontinue such transfers when the total reserve reaches 30% of the capital. The statutory reserve is not distributable.

Retained earnings

Retained earnings consist of accumulated net income after deducting dividends and transfers to reserves. Retained earnings increased from SAR 1,137.3 million as at 31 December 2018G to SAR 1,434.5 million as at 31 December 2019G, and then to SAR 1,708.9 million as at 31 December 2020G, mainly due to the profits achieved in 2019G and 2020G, respectively.

The following table shows a summary of the profits distributed by the Company during the previous three years:

Table (6-66): Cash Dividends During the Financial Years Ended 2018G, 2019G, and 2020G

SAR million	FY 2018G	FY 2019G	FY 2020G
Net income	358,415	307,181	306,579
Dividends declared during the period	256,258	-	-
Profits distributed during the period	376,216	26,143	33,487
Ratio of declared profits to net income	71.4%	0%	0%

* Dividends amounting to SAR 256 million were announced in 2018G for the results of 2017G and were paid in 2018G.

Source: Management information

6-5-3 Cash flow statement

Table (6-67): Cash Flow Statement

SAR'000	2018G Audited	2019G Audited	2020G Audited
Operating activities			
Net profit	364,334	307,182	372,269
Adjustments for non-cash items:			
Depreciation and amortisation	67,828	86,857	111,611
Expected Credit Losses (ECL) provision	4,901	-	35,489
Losses from disposal of property and equipment	123	2,008	3
Provision for employee end-of-service benefits	33,811	38,317	48,601
Gains at fair value through profit or loss	-	-	(3,596)
Group's share of profits from associates	-	-	(104)
Bank deposit revenue	(3,255)	(12,149)	(10,923)
Finance costs	4,556	4,898	6,188
Cash flow from operations before working capital adjustments	**472,297**	**427,113**	**559,540**
Working capital adjustments:			
Receivables	(1,299)	(24,091)	(214,362)
Prepaid expenses and other accounts receivable	(21,105)	(21,351)	16,726
Contract assets	(128,924)	(90,615)	118,428
Payables	(16,377)	(40,216)	43,126
Contract liabilities	97,180	(13,695)	40,649

SAR'000	2018G Audited	2019G Audited	2020G Audited
accrued expenses and other liabilities	90,004	(16,689)	154,410
Dues to Related Parties	-	-	7,671
Cash from operations	**491,776**	**220,456**	**726,188**
Bank deposit revenue	3,013	9,566	10,014
End-of-service benefits paid to employees	(15,503)	(9,623)	(12,683)
Net cash generated from operating activities	**479,286**	**220,399**	**723,518**
Investment activities			
Bank deposits	(341,498)	(140,565)	194,095
Cash acquired upon acquisition of a subsidiary	-	-	245,673
Purchase of property, machinery, equipment, and intangible assets	(10,466)	(27,631)	(23,608)
Proceeds from disposal of property, machinery, equip-ment, and tangible assets	650	-	-
Investments in associates	-	-	(109)
Other financial assets	(4,694)	(10,014)	(20,785)
Capital work in progress	(12,658)	(41,127)	(111,920)
Net cash flows used in investment activities	**(368,666)**	**(219,337)**	**283,346**
Financing activities			
Payments for the capital component of the capital lease	-	(37,552)	(22,829)
Payments for Capital lease Liabilities	(21,739)	(22,310)	(22,895)
Payments for Related Parties	-	-	(14,521)
Financial charges paid	(4,324)	(4,691)	(4,642)
Dividends paid	(376,216)	(26,143)	(33,487)
Net cash flows used in financing activities	**(402,279)**	**(90,696)**	**(98,374)**
Net change in cash and cash equivalents	**(291,659)**	**(89,634)**	**908,491**
Cash and cash equivalents at the beginning of the year	486,121	194,462	104,828
Cash and cash equivalents at the end of the year	**194,462**	**104,828**	**1,013,319**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Net cash flows from operating activities

Net cash flows from operating activities decreased from SAR 479.3 million in 2018G to SAR 220.4 million in 2019G as a result of the decrease in the Group's net profit before Zakat from SAR 364.3 million in 2018G to SAR 307.2 million in 2019G, in addition to the decrease in working capital balances, especially contract liabilities, from SAR 97.2 million in 2018G (cash inflow) to SAR -13.7 million (cash outflow) in 2019G, and accrued expenses and other liabilities from SAR 90.0 million in 2018G (cash inflow) to SAR -16.7 million (cash outflow) in 2019G.

Net cash flows from operating activities increased from SAR 220.4 million in 2019G to SAR 723.5 million in 2020G as a result of the increase in the Group's net profit before Zakat from SAR 307.2 million in 2019G to SAR 372.3 million in 2020G, in addition to the increase in some working capital balances, especially contract liabilities, from SAR -13.7 millon in 2019G (cash outflow) to SAR 40.6 million (cash inflow) in 2020G, and accrued expenses and other liabilities from SAR -16.7 million in 2019G (cash outflow) to SAR 154.4 million (cash inflow) in 2019G.

Net cash flows (used in) generated from financing activities

Net cash flows (used in) generated from investment activities increased from SAR -368.7 million in 2018G to SAR -219.3 million in 2019G as a result of the change in bank deposits from SAR -341.5 million in 2018G to SAR -140.6 million in 2019G.

Net cash flows (used in) generated from investment activities increased from SAR -219.3 million in 2019G to SAR 283.3 million in 2020G, as a result of the increase in the change in bank deposits from SAR -140.6 million in 2019G to SAR 194.1 million in 2020G, and as a result of the acquisition of Tabadul in 2020G, where the value of cash and cash equivalents amounted to SAR 245.7 million.

Net cash flows used in financing activities

Cash flows used in financing activities increased from SAR -402.3 million in 2018G to SAR -90.7 million in 2019G and settled at SAR -98.4 million in 2020G. Most of this increase was the result of the decrease in dividends paid, from SAR 376.2 million in 2018G to SAR 26.1 million in 2019G and SAR 33.5 million in 2020G.

During 2018G, the Company paid dividends of SAR 376.2 million, which includes dividends declared in 2018G for the year 2017G, amounting SAR 1,228 million, and dividends declared in 2017G for the year 2016G amounting SAR 1,148 million. The Company paid dividends of SAR 26.1 million in 2019G, and this amount relates to dividends declared in 2018G for 2017G.

6-6 Results of Operations for the Financial Years Ended 31 December 2018G, 2019G, and 2020G for Emdad Al Khebrat Co. Ltd. and Tabadul

6-6-1 Emdad Al Khebrat Co. Ltd.

The following table summarizes the statement of profit or loss and other comprehensive income of Emdad Al Khebrat Co. Ltd. before excluding joint operations for the three financial years ended at 31 December 2018G, 2019G, and 2020G:

Table (6-68): Statement of Income

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue	219,229	335,647	397,850	53.1%	18.5%	34.7%
Cost of revenue	(183,130)	(291,652)	(331,144)	59.3%	13.5%	34.5%
Gross profit	36,099	43,995	66,706	21.9%	51.6%	35.9%
General and administrative expenses	(8,891	(15,293)	(15,993)	72.0%	4.6%	34.1%
Depreciation and amortisation	(136)	(136)	(34)	0.0%	(75.0%)	(50.0%)
Operating profit	27,027	28,566	50,679	5.5%	77.4%	36.8%
Other revenue (expenses)	3,616	882	4,694	(75.6%)	432.2%	13.9%
Net profit before Zakat	30,688	29,448	55,373	(4.0%)	88.0%	34.3%
Zakat	-	-	(5.142)	N/A	N/A	N/A
Net profit	30,688	29,448	50,231	(4.0%)	71.2%	28.2%
Recalculation of the end-of-service provision	(288)	(1,497)	270	420.4%	(118.0%)	N/A
Total comprehensive income for the year	30,400	27,951	50,501	(8.1%)	81.3%	29.1%
Key Performance Indicators:						
As a % of revenue					**Percentage**	
Gross profit	16.6%	13.1%	16.8%	(3.5)	3.7	0.2
General and administrative expenses	4.2%	4.6%	4.0%	0.4	(0.6)	(0.2)
Net profit	14.0%	8.8%	12.6%	(5.2)	3.9	3.8

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management information

Emdad Al Khebrat Co. is a subsidiary wholly owned by the Company, which mainly provides workforce services for the Company's own projects with limited offshore projects for a third party.

Revenues

Revenues increased from SAR 219.2 million in 2018G to SAR 335.6 million in 2019G and then to SAR 397.9 million in 2020G due to the increase in revenues from Related Parties. All revenues generated by the Related Party (Elm) have been excluded from the consolidated financial statements of the Group. The value of the exclusions of revenues amounted to SAR 207.1 million, SAR 306.7 million and SAR 359.5 million in 2018G, 2019G, and 2020G, respectively.

Cost of revenue

Cost of revenue increased from SAR 183.1 million in 2018G to SAR 291.7 million in 2019G and then to SAR 331.1 million in 2020G, mainly due to the increase in employee costs after the increase in the average number of employees classified within cost of revenue from 948 in 2018G to 1,439 in 2020G.

Gross profit

Gross profit increased from SAR 36.1 million in 2018G to SAR 44.0 million in 2019G and SAR 66.7 million in 2020G due to the increase in revenues during the same period.

General and administrative expenses

General and administrative expenses increased from SAR 8.9 million in 2018G to SAR 15.3 million in 2019G and then to SAR 16.0 million in 2020G, mainly due to the increase in employee costs as a result of the increase in the average number of employees under general and administrative expenses from 24 in 2018G to 33 in 2020G.

Other revenues (expenses)

Other revenues mainly include funds from the Human Resources Development Fund program. The fluctuation over the period, from SAR 3.6 million in 2018G to SAR 882 thousand in 2019G then to SAR 4.7 million in 2020G, was related to the amounts received from the Human Resources Development Fund program.

Depreciation and amortisation

Depreciation and amortization remained relatively stable at SAR 136 thousand in 2018G and 2019G. The decrease in 2020G was mainly due to the decrease in intangible assets (these assets were fully amortized at 31 December 2020G).

Zakat

Pursuant to a Royal Decree, companies wholly owned by the Public Investment Fund were exempted from paying Zakat to the General Authority for Zakat and Income. This exemption ended on 31 December 2019G. As such, the company recorded Zakat expenses of SAR 5.1 million in 2020G (the Company did not record Zakat expenses in 2018G and 2019G).

Net profit

Net profit decreased from SAR 30.7 million in 2018G to SAR 29.4 million in 2019G due to the increase in general and administrative expenses. This increase was offset by a lower rate of increase in revenues. Net profit in 2020G increased to SAR 50.2 million after the increase in revenues and total profit during the same period.

The following table presents the consolidated statement of financial position of Emdad Al Khebrat Co. Ltd. as at 31 December 2018G, 2019G, and 2020G:

Table (6-69): The following table presents the statement of financial position of Emdad Al Khebrat Co. Ltd. as at 31 December 2018G, 2019G, and 2020G:

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited
Non-current assets			
Intangible assets	170	34	-
Total non-current assets	**170**	**34**	**-**
Current assets			
Due from Related Parties (Elm)	105,141	147,009	198,678
Receivables	7,822	3,857	4,457
Contract assets	-	-	52
Prepaid expenses and other accounts receivable	4,493	9,019	10,700
Cash and cash equivalents	538	493	13,162
Total current assets	**117,994**	**160,378**	**227,049**
Total assets	**118,164**	**160,412**	**227,049**
Equity			
Issued and paid up capital	500	500	500
Statutory reserve	250	250	250
Retained earnings	88,025	115,974	166,475
Total equity	**88,775**	**116,724**	**167,225**
Non-current liabilities			
Provision for employee end-of-service benefits	8,844	14,291	20,784
Total non-current liabilities	**8,844**	**14,291**	**20,784**
Current liabilities			
Payables	3,038	3,371	5,921
Zakat	-	-	5,142
accrued expenses and other liabilities	17,507	26,026	27,977
Total current liabilities	**20,545**	**29,397**	**39,040**
Total liabilities	**29,389**	**43,688**	**59,824**
Total liabilities and equity	**118,164**	**160,412**	**227,049**
Key Performance Indicators			
Average days sales outstanding (days)	7	6	4
Average days payable outstanding (days)	6	4	5
Return on assets	31.3%	21.1%	26.0%
Return on equity	41.7%	28.7%	35.5%

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Assets

Non-current assets

Non-current assets decreased from SAR 170 thousand as at 31 December 2018G to SAR nil as at 31 December 2020G, as these assets were fully amortized at 31 December 2020G.

Current assets

Current assets increased from SAR 118.0 million as at 31 December 2018G to SAR 160.4 million as at 31 December 2019G, mainly due to the increase in amounts due from Related Parties from SAR 105.1 million as at 31 December 2018G to SAR 147.0 million as at 31 December 2019G. This increase was mainly due to the increase in the Company's revenues during the same period.

Current assets increased from SAR 160.4 million as at 31 December 2019G to SAR 228.1 million as at 31 December 2020G. This increase was mainly due to the increase in amounts due from Related Parties from SAR 147.0 million as at 31 December 2019G to SAR 198.7 million as at 31 December 2020G. This increase was mainly due to the increase in the Company's revenues during the same period.

Liabilities and equity

Equity

Total equity increased from SAR 88.8 million as at 31 December 2018G to SAR 116.7 million as at 31 December 2019G. This increase was mainly due to the increase in retained revenue from SAR 88.0 million as at 31 December 2018G to SAR 116.0 million as at 31 December 2019G.

Total equity increased from SAR 116.7 million as at 31 December 2019G to SAR 167.4 million as at 31 December 2020G, mainly due to the increase in retained revenue from SAR 116.0 million as at 31 December 2019G to SAR 166.7 million as at 31 December2020G.

Liabilities

Non-current liabilities

Non-current liabilities consist only of employee end-of-service provisions, which increased from SAR 8.8 million as at 31 December 2018G to SAR 14.3 million as at 31 December 2019G then to SAR 20.8 million as at 31 December 2020G. This increase was due to the increase in the number of employees from 972 employees as at 31 December 2018G to 1,364 employees as at 31 December 2019G, then to 1,472 employees as at 31 December 2020G.

Current liabilities

Current liabilities increased from SAR 20.5 million as at 31 December 2018G to SAR 29.4 million as at 31 December 2019G. This increase was mainly due to the increase in accrued expenses and other liabilities from SAR 17.5 million to SAR 26.0 million during the same period due to the increase in employee benefits as a result of the increase in the average number of employees.

Current liabilities increased from SAR 29.4 million as at 31 December 2019G to SAR 38.9 million as at 31 December 2020G. This increase was mainly due to the increase in accrued expenses and other liabilities from SAR 26.0 million as at 31 December 2019G to SAR 27.9 million as at 31 December 2020G due to the increase in employee dues as a result of the increase in the average number of employees, in addition to the Zakat dues of SAR 5.0 million as at 31 December 2020G.

The following table presents the statement of cash flows of Emdad Al Khebrat Co. Ltd. as at 31 December 2018G, 2019G, and 2020G:

Table (6-70): Statement of Cash Flows of Emdad Al Khebrat Co. Ltd. as at 31 December 2018G, 2019G, and 2020G

SAR'000	2018G Audited	2019G Audited	2020G Audited
Operating activities			
Net profit	30,688	29,446	55,373
Adjustments for non-cash items:			
Depreciation and amortisation	136	136	34
Provision for employee end-of-service benefits	4,434	6,691	10,303
Cash flow from operations before working capital adjustments	**35,258**	**36,274**	**65,710**
Working capital adjustments:			
Receivables	(7,822)	3,965	(599)
Prepaid expenses and other accounts receivable	(2,180)	(4,527)	(1,681)
Contract assets	-	-	(52)
Payables	413	333	2,551
accrued expenses and other liabilities	6,009	8,520	1,950
Dues to Related Parties	(29,844)	(41,868)	(51,669)
Cash from operations	**1,834**	**2,697**	**16,210**
End-of-service benefits paid to employees	**(1,510)**	**(2,741)**	**(3,539)**
Net cash generated from operating activities	**324**	**44**	**12671**
Net change in cash and cash equivalents	324	44	12,671
Cash and cash equivalents at the beginning of the year	214	538	493
Cash and cash equivalents at the end of the year	**538**	**494**	**13164**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Net cash flows from operating activities

Net cash flow from operating activities decreased from SAR 324 thousand (cash inflow) in 2018G to SAR -45 thousand (cash outflow) in 2019G, mainly due to the increase in dues from Related Parties, which led to an increase in outflow as a result of these receivables from SAR 29.8 million in 2018G to SAR 41.9 million in 2019G, partially met by the change in receivables that generated SAR 4.0 million cash inflow in 2020G compared to SAR 7.8 million cash outflow in 2019G.

Net cash flow from operating activities increased from SAR -45 thousand (cash outflow) in 2019G to SAR 12.7 million in 2020G (cash inflow) as a result of the noticeable increase in the Company's net profit from SAR 29.4 million in 2019G to SAR 55.4 million in 2020G.

6-6-2 Tabadul

The following table summarizes the statement of profit or loss and other comprehensive income of Tabadul Co. for the three financial years ended at 31 December 2018G, 2019G, and 2020G:

Table (6-71):

Table (6-72): Statement of Income

SAR'000	2018G Audited	2019G Audited	2020G Audited	Annual Change 2018G–2019G	Annual Change 2019G–2020G	CAGR 2018G–2020G
Revenue	382,142	271,485	272,593	90.7%	0.4%	38.4%
Cost of revenue	(70,243)	(191,782)	(213,564)	173.0%	11.4%	74.4%
Gross profit	72,139	79,703	(59,029)	10.5%	(25.9%)	(9.5%)
General and administrative expenses	(37,701)	(64,112)	(65,263)	70.1%	1.8%	31.6%
Selling and marketing expenses	(10,832)	(12,547)	(7,090)	15.8%	(43.5)	(19.1%)
Expected Credit Losses (ECL) provision	(1,597)	(512)	-	(67.9%)	(100%)	(100%)
Operating profit	22,009	2,532	(13,324)	(88.5%)	(626.3%)	N/A
Other revenue (Expenses)	,473	74,788	70	1572.0%	(99.9%)	(87.5%)
Interest income - term deposit returns	2,917	7,812	2,917	10.2%	(62.7%)	(35.9%)
Finance costs	(2,541)	(2,448)	(1,666)	(3.7%)	(31.9%)	(19.0%)
Net (loss)/profit for the year before Zakat	31,031	82,684	(12,003)	166.5%	(114.5%)	N/A
Zakat expense	-	-	(7,588)	N/A	N/A	N/A
Net profit/(loss)	31,031	82,684	(19,591)	166.5%	(123.7%)	N/A
Recalculation of the end-of-service provision	220	(531)	125	(341.4%)	(123.5%)	(24.6%)
Total comprehensive income for the year	31,251	82,153	(19,466)	162.9%	(123.7%)	N/A
Key Performance Indicators:						
As a % of revenue				Percentage		
Gross profit	50.7%	29.4%	21.7%	(21.3)	(7.7)	(29.0)
General and administrative expenses	26.5%	23.6%	23.9%	(2.9)	(0.3)	(2.5)
Selling and marketing expenses	7.6%	4.6%	2.6%	(3.0)	(2.0)	(5.0)
Net profit	21.8%	30.5%	(7.2%)	8.7	(37.6)	(29.0)

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G and management information

Revenue

Fasah is a platform operated by Tabadul in partnership with a government entity that provides import and export logistic services for the private and government sectors. The increase in Tabadul revenues from SAR 142.4 million in 2018G to SAR 271.5 million in 2019G was mainly due to the increase in Fasah revenues, as the number of transactions was higher in 2019G compared to 2018G. Revenues increased slightly in 2020G to reach SAR 272.6 million due to the slight increase in the number of transactions on the platform.

Cost of revenue

Cost of revenue is related to employee costs and the cost of the revenue sharing agreement between Tabadul and two government entities, with about 20% and 27% of the revenues of the Fasah platform going to each of them. The cost of revenue increased from SAR 70.2 million in 2018G to SAR 191.8 million in 2019G, mainly due to the start of profit sharing agreements (as of 1 January 2019G), as the profit sharing agreement expenses amounted to SAR 51.6 million in 2019G, in addition to the increase in employee costs. The cost of revenue increased to SAR 213.6 million in 2020G, due to the increase in employee costs after the increase in the average monthly salary for each employee during the same period.

Gross profit

Gross profit increased from SAR 72.1 million in 2018G to SAR 79.7 million in 2019G due to high revenues. Gross profit decreased in 2020G to SAR 59.0 million in 2020G due to the increase in the cost of employees under the cost of revenue during the same period.

General and administrative expenses

General and administrative expenses increased from SAR 37.7 million in 2018G to SAR 64.1 million in 2019G, mainly as a result of the increase in employee costs under the general and administrative expenses item due to the increase in the average number of employees under general and administrative management from 316 to 322 during the same period. General and administrative expenses increased slightly to SAR 65.3 million in 2020G due to a slight increase in employee costs.

Selling and marketing expenses

Selling and marketing expenses increased from SAR 10.8 million as at 31 December 2018G to SAR 12.5 million as at 31 December 2019G, mainly due to the increase in employee costs under the selling and distribution expenses item following the increase in the average number of employees from 107 to 117. Selling and distribution expenses decreased to SAR 7.1 million as at 31 December 2020G, due to cost-cutting initiatives taken by Tabadul in an attempt to mitigate the effects of the coronavirus pandemic.

Other revenues (expenses)

Other revenue increased from SAR 4.5 million in 2018G to SAR 74.8 million in 2019G, mainly due to the sale of the Monafasat platform to Thiqah for SAR 70.0 million. Other revenue decreased to SAR 70 thousand in 2020G, as no exceptional transactions were was carried out in this year.

Interest income - term deposit returns

Financing revenues increased from SAR 7.1 million in 2018G to SAR 7.8 million in 2019G due to an increase in the average interest rate from 1.7% to 2.2% during the same period. Financing revenues also decreased to SAR 2.9 million in 2020G due to the decrease in the average balance of short-term deposits during the same period.

Finance costs

They are related to the present value of the interest-free loan from the Related Party (Public Investment Fund), in addition to the financing costs of the lease obligations according to IFRS 16. Financing costs were relatively stable during the period between 2018G and 2019G (approximately SAR 2.5 million). They decreased slightly in 2020G to reach SAR 1.7 million as a result of the decrease in the present value of the loan withdrawn from the Public Investment Fund.

Zakat

During 2021G, Royal Decree No. 35657 was issued dated 29/6/1442H, requiring that companies owned fully by the Public Investment Fund, directly or indirectly, be subject to Zakat starting from 2020G. Companies resident in the Kingdom of Saudi Arabia and the like, which are fully owned by PIF shall not be subject to Zakat for the financial years ended 31 December 2019G. Therefore, the company recorded Zakat expenses of SAR 7.6 million in 2020G (the Company did not record Zakat expenses in 2018G and 2019G).

Net profit/(loss)

Tabadul recorded losses for the first time in 2020G (SAR 19.5 million), as compared to profits of SAR 82.2 million and SAR 31.3 million in 2018G and 2019G, respectively, due to the high cost of revenue because of the increase in employee costs and the expenses of the profit-sharing agreement with the two government entities, in addition to the absence of any exceptional sales.

The following table summarizes the financial position of Tabadul as at 31 December 2018G, 2019G, and 2020G:

Table (6-73): Statement of Financial Position

SAR'000	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited
Non-current assets			
Property and equipment, net	25,479	24,483	28,846
Intangible assets, net	15,864	23,371	70,484
Work in progress	-	34,179	54,356
Right-of-use assets	-	7,765	5,406
Term deposits	250,000	250,000	-
Total non-current assets	**291,343**	**339,798**	**159,092**
Current assets			
Cash and cash equivalents	168,584	245,673	469,144
Accounts receivable, net	25,412	48,079	31,954
Prepaid expenses and other current assets	16,551	16,633	22,753
Total current assets	**210,547**	**310,385**	**523,851**
Total assets	**501,890**	**650,183**	**682,943**
Equity			
Capital	25,000	50,000	50,000
Additional capital contribution	35,258	35,258	35,258
Statutory reserve	25,000	25,000	25,000
General reserve	23,020	26,123	26,123
Retained earnings	273,674	313,775	260,821
Total equity	**381,951**	**450,156**	**397,202**
Non-current liabilities			
Due to a Related Party - non-current portion	25,397	12,672	-
Lease Liability - non-current portion	-	4,778	2,282
Employee benefits obligations	6,228	8,080	9,523
Total non-current liabilities	**31,625**	**25,530**	**11,805**
Current liabilities			
Trade payables	22,235	14,281	12,785
Lease Liability- current portion	-	2,414	2,496
Due to a Related Party - current portion	12,521	14,521	13,896
Other dues and liabilities	51,557	143,281	237,171
Provision for Zakat	-	-	7,588
Total current liabilities	**88,313**	**174,497**	**273,936**
Total liabilities	**119,938**	**200,027**	**285,741**
Total liabilities and equity	**501,890**	**650,183**	**682,943**
Key Performance Indicators			
Average days sales outstanding (days)	78	49	54
Average days payable outstanding (days)	84	35	23
Return on assets	6.4%	14.5%	(2.8%)
Return on equity	8.3%	19.9%	(5.3%)

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G, Management Information

Assets

Non-current assets

Non-current assets increased from SAR 291.3 million as at 31 December 2018G to SAR 339.8 million as at 31 December 2019G, as a result of the increase in intangible assets from SAR 15.9 million as at 31 December 2018G to SAR 23.4 million as at 31 December 2019G, driven by the internal software development and translation management system project during the same period. Non-current assets decreased from SAR 339.8 million as at 31 December 2019G to SAR 159.1 million as at 31 December 2020G, mainly as a result of Tabadul's cashing of term and bank deposits.

Current assets

Current assets increased from SAR 210.5 million as at 31 December 2018G to SAR 310.4 million as at 31 December 2019G, mainly driven by an increase in cash and cash equivalents from SAR 168.6 million to SAR 245.7 million, due to improved collections from customers, as the average collection of receivables decreased from 78 days to 49 days.

Current assets increased from SAR 310.4 million as at 31 December 2019G to SAR 523.9 million as at 31 December 2020G, as a result of an increase in cash and cash equivalents to SAR 469.1 million as at 31 December 2020G. This increase is mainly due to profit distribution and the collection of term deposits.

Liabilities and equity

Equity

Current liabilities decreased from SAR 382.0 million as at 31 December2018G to SAR 450.2 million as at 31 December2019G, mainly due to a decrease in the current portion of long-term loans from SAR 273.7 million as at 31 December 2018G to SAR 313.8 million as at 31 December2019G. Total equity decreased from SAR 450.2 million as at 31 December 2019G to SAR 397.2 million as at 31 December 2020G, mainly due to incurred losses of SAR 19.6 million in 2020G during the period and dividend distributions.

Liabilities

Non-current liabilities

Non-current liabilities decreased from SAR 31.6 million as at 31 December 2018G to SAR 25.5 million as at 31 December 2019G, mainly due to the decrease in dues to a Related Party - non-current portion of SAR 25.4 million as at 31 December 2018G to SAR 12.7 million as at 31 December 2019G.

Non-current liabilities decreased from SAR 25.5 million as at 31 December 2019G to SAR 11.8 million as at 31 December 2020G, mainly due to the decrease in the dues to a Related Party - non-current portion to SAR nil as at 31 December 2020G, as a result of repaying the non-current value of the Public Investment Fund loan.

Current liabilities

Current liabilities increased from SAR 88.3 million as at 31 December 2018G to SAR 174.5 million as at 31 December 2019G and then to SAR 273.9 million as at 31 December 2020G. This increase is mainly due to the increase in payable expenses and other obligations from SAR 51.6 million as at 31 December 2018G, to SAR 237.2 million as at 31 December 2020G, due to the increase in the dues of profit-sharing projects related to the balances payable to the two government entities and the increase in transactions due against the increase in general transactions at Tabadul.

The following table summarizes the cash flow statement for Tabadul as at 31 December 2018G, 2019G, and 2020G:

Table (6-74): Cash Flow Statement

SAR'000	2018G Audited	2019G Audited	2020G Audited
Operating activities			
Net (loss)/profit for the year before Zakat	31,031	82,684	(12,003)
Adjustments for non-cash items:			
Depreciation of property and equipment	1,872	1,989	3,389
Amortization of intangible assets	5,284	2,997	9,088
Finance costs	2,344	1,796	1,224
Depreciation of right-of-use assets	-	2,360	2,360
Gain on the sale of property and equipment	-	(35)	(70)
Losses on the sale of intangible assets	-	906	-
Reversal of provisions	(2,174)	-	-
Provision for impairment of accouEnts receivable	1,597	512	-
Provision for employee benefits	1,638	2,351	3,158
	41,593	**95,560**	**7,146**
Changes in operating assets and liabilities:			
Accounts receivable, net	8,473	(23,179)	16,123
Advance payments and other current assets	(15,611)	(82)	(6,120)
Trade payables	12,698	(7,953)	(1,496)
Other dues and current liabilities	13,613	91,724	93,891
Cash from operating activities	**62,766**	**156,070**	**109,544**
Employee benefits paid	(437)	(1,030)	(1,591)
Net cash from operating activities	**62,329**	**155,040**	**107,953**
Investment activities			
Purchase of property and equipment	(841)	(993)	(1,603)
Purchase of intangible assets	(11,144)	(13,658)	(510)
Additions to Work in Progress	-	(31,932)	(82,017)
Proceeds from the sale of property and equipment	-	35	70
Net cash flows used in investment activities	**(11,985)**	**(46,548)**	**(84,060)**
Financing activities			
Paid portion of a loan from a Related Party	(14,521)	(14,521)	(14,521)
Paid portion of lease liability	-	(2,932)	(2,414)
Proceeds from long-term investment	-	-	250,000
Dividends paid	(10,000)	(13,950)	(33,487)
Net cash flow generated from/(used in) financing activities	**(24,521)**	**(31,403)**	**199,578**
Net change in cash and cash equivalents during the year	**25,822**	**77,089**	**223,471**
Cash and cash equivalents at the beginning of the year	142,761	168,584	245,673
Cash and cash equivalents at the end of the year	**168,584**	**245,673**	**469,144**

Source: The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G

Net cash flows from operating activities

Net cash flow from operating activities increased from SAR 62.3 million in 2018G to SAR 155.0 million in 2019G as a result of the increase in the Company's net profit from SAR 31.0 million in 2018G to SAR 82.7 million in 2019G, in addition to the change in dues and other current liabilities, which led to cash inflow of SAR 91.7 million in 2019G, as compared to cash outflow of SAR 13.6 million in 2018G.

Net cash flow from operating activities decreased from SAR 155.0 million in 2019G to SAR 108.0 million in 2020G, as a result of the decrease in the Company's net profit before Zakat from SAR 82.7 million in 2019G to SAR -12.0 million in 2020G.

Net cash flows (used in) generated from financing activities

Net cash flows (used in) generated from investment activities decreased from SAR -12.0 million in 2018G to SAR -46.5 million in 2019G and then SAR -84.1 million in 2020G, as a result of the increase in the purchases of intangible assets and Work in progress from SAR 11.1 million in 2018G to SAR 45.6 million in 2019G, and then SAR -82.5 million in 2020G.

Net cash flows used in financing activities

Cash flows used in financing activities decreased from SAR -24.5 million in 2018G to SAR -31.5 million, due to the increase in dividends paid from SAR 10 million in 2018G to SAR 14 million in 2019G.

Cash flows increased from SAR -31.5 million in 2019G to SAR 199.6 million in 2020G. Most of this increase was the result of the liquidation of a long-term investment in 2020G, amounting to SAR 250 million.

The following table summarizes the Group's special purpose consolidated statement of profit or loss and other comprehensive income for the three financial years ended 31 December 2018G, 2019G, and 2020G. The objective of presenting the special purpose financial statements is because as Elm acquired Tabadul on 1 January 2020G, the consolidated financial statements do not include the financial results of Tabadul for 2018G and 2019G, while the special purpose financial statements are statements that assume that the acquisition of Tabadul took place on 1 January 2018G (instead of 1 January 2020G), in order to present financial results on a comparable basis during the three years ended 31 December 2018G, 2019G, and 2020G.

Table (6-75): Special Purpose Income Statement:

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification *			Special Purpose Financial Statements		
	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G
Revenue	1,925,710	2,102,019	2,466,065	142,382	271,485	-	-	-121	-	2,068,092	2,373,383	2,466,065
Cost of revenue	-1,206,406	-1,420,651	-1,639,491	-70,243	-191,782	-	5,148	2,925	-	-1,271,501	-1,609,508	-1,639,491
Gross profit	**719,304**	**681,368**	**826,574**	**72,139**	**79,703**	**-**	**5,148**	**2,804**	**-**	**796,591**	**763,875**	**826,574**
Selling and marketing expenses	-70,185	-84,355	-76,927	-10,832	-12,547	-	-	-	-	-81,017	-96,902	-76,927
Expected Credit Losses (ECL) provision	-4,901	-	-35,489	-1,597	-512	-	-	-	-	-6,499	-512	-35,489
General and administrative expenses	-217,023	-209,649	-246,938	-37,701	-64,112	-	1,811	4,262	-	-252,913	-269,499	-246,938
Depreciation and amortisation	-67,828	-86,857	-111,611	-	-	-	-7,156	-7,346	-	-74,984	-94,203	-111,611
Operating profit	**359,367**	**300,507**	**355,609**	**22,009**	**2,532**	**-**	**-195**	**-280**	**-**	**381,178**	**302,759**	**355,609**
Financing revenues/(expenses)	-4,556	-4,898	-6,374	4,550	(2,488)	-	-6,893	-7,531	-	-6,900	-7,065	-6,374
Interest Income on short term deposits	3,255	12,149	10,923	-	7,812	-	7,091	7,811	-	10,346	19,961	10,923
Net share in results of associates	-	-	104	-	-	-	-	-	-	-	-	104
Change in fair value through profit or loss (FVTPL)	-	-	3,596	-	-	-	-	-	-	-	-	3,596
Other income (expenses)	6,276	-576	8,413	4,473	74,788	-	-1	-	-	10,740	74,212	8,413
Net profit before Zakat	**364,333**	**307,182**	**372,271**	**31,031**	**82,684**	**-**	**-**	**-**	**-**	**395,364**	**389,867**	**372,271**

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification *			Special Purpose Financial Statements		
	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G
Zakat	-	-	-65,690	-	-	-	-	-	-	-	-	-65,690
Net profit	**364,334**	**307,182**	**306,581**	**31,031**	**82,684**	**-**	**-**	**-**	**-**	**395,364**	**389,867**	**306,581**
Change in fair value of investments at FVTOCI	-	1,733	867	-	-	-	-	-	-	-	1,733	867
Recalculation of the end-of-service provision	-5,919	-11,660	260	220	-531	-	-	-	-	-5,699	-12,191	260
Total comprehensive income for the year	**358,414**	**297,255**	**307,708**	**31,252**	**82,153**	**-**	**-**	**-**	**-**	**389,665**	**379,409**	**307,708**

* The amounts included in the adjustments and reclassification item are associated with the exclusions of joint operations between Tabadul and the Group, in addition to the reclassification of some items in the income statement in Tabadul to be in line with the presentation of the Group's consolidated financial statements

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, the audited financial statements of Tabadul for the years ended 31 December 2018G and 2019G, the special purpose audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, and management information

The following table summarizes the Group's proforma consolidated statement of financial position for the three financial years ended 31 December 2018G, 2019G, and 2020G:

Table (6-76): Special Purpose Consolidated Statement of Financial Position

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Current assets												
Receivables	1,092,010	1,116,101	1,370,496	25,412	48,079	-	-	-	-	1,117,422	1,164,180	1,370,496
Contract assets	323,687	414,302	269,127	-	-	-	10,821	-	-	334,508	414,302	269,127
Prepaid expenses and other accounts receivable	82,326	99,019	79,918	16,551	16,633	-	(10,821)	-	-	88,056	115,652	79,918
Other financial assets	-	3,755	11,172	-	-	-	-	(3,755)	(11,172)	-	-	-
Bank deposits	341,498	482,063	537,968	-	-	-	-	-	-	341,498	482,063	537,968
Cash and cash equivalents	194,462	104,828	1,013,318	168,584	245,673	-	-	-	-	363,045	350,500	1,013,318

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Total current assets	**2,033,983**	**2,220,068**	**3,281,999**	**210,547**	**310,385**	**-**	**-**	**(3,755)**	**(11,172)**	**2,244,530**	**2,526,697**	**3,270,827**
Non-current assets												
Property, machinery, and equipment	375,838	354,832	373,732	25,479	24,483	-	-	-	-	401,317	379,316	373,732
Capital work in progress	7,020	48,147	108,538	-	-	-	10,822	34,179	-	17,842	82,326	108,538
Right-of-use assets	-	153,910	131,458	-	7,765	-	-	-	-	-	161,675	131,458
Intangible assets	33,744	18,677	82,978	15,864	23,371	-	(10,822)	(34,179)	-	38,785	42,048	82,978
Investments in associates	-	-	213	-	-	-	-	-	-	-	-	213
Other financial assets	4,694	16,441	34,273	-	-	-	-	3,755	11,172	4,694	20,197	45,444
Bank deposits	-	-	-	250,000	250,000	-				250,000	250,000	-
Total non-current assets	**421,296**	**592,007**	**731,192**	**41,343**	**339,798**	**-**	**-**	**3,755**	**11,172**	**712,638**	**935,561**	**742,363**
Total assets	**2,455,279**	**2,812,075**	**4,013,191**	**1,025,654**	**650,182**	**-**	**-**	**-**	**-**	**2,957,167**	**3,462,258**	**4,013,190**
Current liabilities												
Payables	210,072	169,305	226,712	22,235	14,281	-	(2,205)	-	-	230,101	183,586	226,712
Dues to Related Parties	-	2,538	24,105	14,522	14,521	-	30,333	-	-	44,855	17,059	24,105
Contract liabilities	200,084	186,389	227,283	-	-	-	-	-	-	200,084	186,389	227,283
Accrued expenses and other liabilities	545,829	501,218	779,689	51,557	143,281	-	(28,128)	-	-	569,258	644,499	779,689
Zakat	-	-	65,690	-	-	-	-	-	-	-	-	65,690
Capital lease liability - current	22,310	22,895	23,496	-	-	-	-	-	-	22,310	22,895	23,496
Lease liabilities – current	-	18,765	28,369	-	2,414	-	-	-	-	-	21,179	28,369
Total current liabilities	**978,295**	**901,110**	**1,375,344**	**88,314**	**174,497**	**-**	**-**	**-**	**-**	**1,066,608**	**1,075,608**	**1,375,344**
Non-current liabilities												

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G
Dues to Related Parties	-	-	-	25,397	12,672	-	-	-	-	25,397	12,672	-
Capital lease liability - non-current	120,648	97,752	74,256	-	-	-	-	-	-	120,648	97,752	74,256
Lease liabilities - non-current	-	119,269	101,534	-	4,778	-	-	-	-	-	124,047	101,534
Provision for employee end-of-service benefits	144,029	184,382	228,121	6,228	8,080	-	-	-	-	150,257	192,463	228,121
Total non-current liabilities	**264,677**	**401,404**	**403,911**	**31,625**	**25,530**	**-**	**-**	**-**	**-**	**296,302**	**426,934**	**403,911**
Total liabilities	**1,242,972**	**1,302,513**	**1,779,255**	**119,939**	**200,027**	**-**	**-**	**-**	**-**	**1,362,910**	**1,502,542**	**1,779,225**
Equity												
Issued and paid up capital	50,000	50,000	50,000	25,000	50,000	-	(25,000)	(50,000)	-	50,000	50,000	50,000
Proposed capital increase	-	-	450,000	58,277	35,258	-	307,422	304,320	-	365,700	365,700	450,000
Statutory reserve	25,000	25,000	25,000	25,000	25,000	-	(25,000)	(25,000)	-	25,000	25,000	25,000
Other reserves	-	-	-	-	-	-	(26,351)	(36,808)	(35,682)	(26,351)	(36,808)	(35,682)
Retained earnings	1,137,307	1,434,562	1,708,936	273,674	313,775	-	(231,072)	(192,512)	35,682	1,179,909	1,555,825	1,744,617
Total equity	**1,212,307**	**1,509,562**	**2,233,936**	**381,951**	**450,156**	**-**	**-**	**-**	**-**	**1,594,258**	**1,959,717**	**2,233,935**
Total liabilities and equity	**2,455,279**	**2,812,075**	**4,013,191**	**763,903**	**650,183**	**-**			**-**	**2,957,168**	**3,462,258**	**4,013,190**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, the audited financial statements of Tabadul for the years ended 31 December 2018G and 2019G, the special purpose audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, and management information

As at 1 January 2020G, the Group acquired 100% ownership of Tabadul, which has been consolidated within the Group's financial statements for FY52020G. However, the Group's signed consolidated financial statements for FY 2018G and FY 2019G do not include the financial position and financial performance of Tabadul. As such, our analysis covering FY 2018G and FY 2019G is based on preliminary data that assumes that the acquisition of Tabadul was effective as at 1 January 2018G (instead of 2020G). This results in a consolidated presentation of the Group's financial performance and position for the period under review (from FY 2018G till FY 2020G).

The preparation of the proforma consolidated financial statements for 2018G, 2019G, and 2020G, was an uncomplicated process due to the small number of transactions between the two companies (the Company and Tabadul).

Table (6-77): Special Purpose Consolidated Statement of Cash Flows

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G
Cash flows from operating activities												
Net income for the year	364,333	307,182	372,271	31,031	82,684	-	-	-	-	395,364	389,867	372,271
Adjustments for non-cash items												
Depreciation and amortisation	67,828	86,857	111,611	7,156	7,346	-	-	-	-	74,984	94,203	111,611
Expected Credit Losses (ECL) provision	4,901	-	35,489	1,597	512	-	-	-	-	6,499	512	35,489
Losses fromdisporal of property and equipment	123	2,008	3	-	871	-	-	-	-	123	2,879	3
Reversal of provisions	-	-	-	-2,174	-	-	-	-	-	-2,174	-	-
Provision for employee end-of-service benefits	33,811	38,317	48,601	1,638	2,351	-	-	-	-	35,450	40,668	48,601
Company's share in profits of associates	-	-	-104	-	-	-	-	-	-	-	-	-104
Gains at fair value through profit or loss	-	-	-3,596	-	-	-	-	-	-	-	-	-3,596
Interest income on term deposit	-3,255	-12,149	-10,923	-	-	-	-7,091	-7,812	-	-10,346	-19,961	-10,923
Finance costs	4,556	4,898	6,188	2,344	1,796	-	0	0	-	6,900	6,694	6,188
	472,297	**427,113**	**559,540**	**41,593**	**95,560**	**-**	**-7,091**	**-7,812**	**-**	**506,800**	**514,862**	**559,540**
Working capital adjustments:												
Receivables	-1,299	-24,091	-214,363	8,473	-23,179	-	-	-	-	7,174	-47,270	-214,362
Prepaid expenses and other debit balances	-21,105	-21,351	16,726	-15,611	-82	-	7,091	7,812	-	-29,626	-13,621	16,726
Contract assets	-128,924	-90,615	118,428	-	-	-	-	-	-	-128,924	-90,615	118,428

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G
Payables	-16,377	-40,216	43,126	14,698	-7,953	-	-	-	-	-1,679	-48,169	43,126
Contract liabilities	97,180	-13,695	40,649	-	-	-	-	-	-	97,180	-13,695	40,649
Dues to Related Parties	-	-	7,671	-	-	-	-	-	-	-	-	7,671
Accrued expenses and other liabilities	90,004	-16,689	154,410	13,613	91,724	-	-	-	-	103,617	75,035	154,410
Cash from operations	491,776	220,456	726,187	62,766	156,070	-	-	-	-	554,542	376,527	726,188
Interest income on term deposit	3,013	9,566	10,014	-	-	-	-	-	-	3,013	9,566	10,014
End-of-service benefits paid to employees	-15,503	-9,623	-12,683	-437	-1,030	-	-	-	-	-15,941	-10,654	-12,683
Net cash generated from operating activities	**479,286**	**220,399**	**723,518**	**62,329**	**155,040**	**-**	**-**	**-**	**-**	**541,614**	**375,440**	**723,519**
Investment activities												
Bank deposits	-341,498	-140,565	194,095	-	-	-	-	-	-	-341,498	-140,565	194,095
Cash acquired upon acquisition of a subsidiary	-	-	(245,673)	-	-	-	142,761	-	-	142,761	-	-
Purchase of property machinery, and equipment	-10,466	-27,631	-23,608	-2,553	(993)	-	-	-	-	-13,018	-42,282	-23,608
Other financial assets	-4,694	-10,014	-20,785	-	-	-	-	-	-	-4,694	-10,014	-20,785
Investments in associates	-	-	-109	-	(13,658)	-	-	-	-	-	-	-109
Capital work in progress	-12,658	-41,127	-111,920	-9,433	-31,932	-	-	-	-	-22,091	-73,059	-111,920
Proceeds from the sale of property, machinery, and equipment	650	-	-	-	35	-	-	-	-	650	35	-
Net cash flows (used in)/ generated from investment activities	**-368,666**	**-219,337**	**283,346**	**-11,985**	**-46,548**	**-**	**-**	**-**	**-**	**-237,890**	**-265,885**	**37,673**

SAR'000	Company by Audited Financial Statements			Tabadul			Adjustments and Reclassification			Special Purpose Financial Statements		
	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G	FY 2018G	FY 2019G	FY 2020G
Financing activities												
Payments for the capital component of the capital lease	-21,739	-37,552	-22,829	-	-2,932	-	-	-	-	-21,739	-40,485	-22,829
Payments for Capital lease liability	-	-22,310	-22,895	-	-	-	-	-	-	0	-22,310	-22,895
Payments for Related Parties	-	-	-14,521	-14,521	-14,521	-	-	-	-	-14,521	-14,521	-14,521
Financial charges paid	-4,324	-4,691	-4,642	-	-	-	-	-	-	-4,324	-4,691	-4,642
Dividends paid	-376,216	-26,143	-33,487	-10,000	-13,950	-	-	-	-	-386,216	-40,093	-33,487
Net cash flows used in financing activities	**-402,279**	**-90,696**	**-98,374**	**-24,521**	**-31,403**	**-**	**-**	**-**	**-**	**-426,800**	**-122,100**	**-98,374**
Net shortfall in cash and cash equivalents	**-291,659**	**-89,634**	**908,490**	**25,822**	**77,089**	**-**	**-**	**-**	**-**	**-123,075**	**-12,545**	**662,818**
Cash and cash equivalents at the beginning of the year	486,121	194,462	104,828	142,761	168,584	-	-142,761	-	-	486,121	363,045	350,500
Cash and cash equivalents at the end of the year	**194,462**	**104,828**	**1,013,318**	**168,584**	**245,673**	**-**	**-**	**-**	**-**	**363,045**	**350,500**	**1,013,318**

Source: The audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, the audited financial statements of Tabadul for the years ended 31 December 2018G and 2019G, the special purpose audited consolidated financial statements for the years ended 31 December 2018G, 2019G, and 2020G, and management information

6-7 Management's Discussion and Analysis of the Company's Financial Position and Results of Operations

6-7-1 Results of operations for the six-month period ended 30 June 2020G and 30 June 2021G

6-7-1-1 Consolidated statement of profit or loss and other comprehensive income

The following table summarizes the consolidated statement of profit or loss and other comprehensive income for Elm and its subsidiaries for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-78): Consolidated Statement of Profit or Loss and Other Comprehensive Income

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Revenue	931,727	1,791,423	92.3%
Cost of revenue	(716,689)	(1,210,033)	68.8%
Gross profit	**215,038**	**581,390**	**170.4%**
Selling and marketing expenses	(31,986)	(42,725)	33.6%
Expected Credit Losses (ECL) provision	-	(52,277)	N/A
General and administrative expenses	(109,848)	(125,237)	14.0%
Depreciation and amortisation	(53,564)	(53,234)	(0.6%)
Operating profit	**19,640**	**302,918**	**1,42.3%**
Finance costscosts	(3,242)	(2,919)	(10.0%)
Interest income on short term deposits	7,984	4,671	(41.5%)
Net share in results of associates	-	19	N/A
Change in fair value through profit or loss (FVTPL)	-	20,533	N/A
OtherIncome (expenses)	2,271	(3,150)	(267.9%)
Net profit before Zakat	**26.653**	**322,071**	**1,108%**
Zakat	-	(43,052)	N/A
Net profit	**26,653**	**279,019**	**946.8%**
Change in fair value of investments at FVTOCI	-	-	-
Re-calculation of end-of-service provision	-	-	-
Total comprehensive income for the year	**26,653**	**279,019**	**946.8%**
Key Performance Indicators:			
As a % of revenue	**Percentage point**		
Gross profit	23.1%	32.5%	(22.8)
Selling and marketing expenses	3.4%	2.4%	(3.4)
General and administrative expenses	11.8%	7.0%	(11.7)
Net profit	2.9%	15.6%	(2.7)

Source: The unaudited consolidated financial statements for the three and six-month period ended 30 June 2021G and management analyses

Revenue

Revenues were generated through (1) the Product Suite segment, which provides electronic services to the governmental and private sectors, such as the Yakeen, Muqeem, Umrah, Tamm, and Fasah services, the operation and development of the Absher platform, and others, and which contributed 53% of the total revenues in the six-month period ended 30 June 2021G; and (2) the Project segments represented by four main segments: the BPO (specialising in outsourcing to government entities to deliver public services and operational activities), DCS segment (specialising in delivering technological solutions in the IT area), the Professional Services segment (specialising in delivering training and consulting solutions in several fields), and N&U segment (specialising in providing Saudisation solutions). The Project segments contributed about 47% of the total revenues in the six-month period ended 30 June 2021G.

Revenues increased from SAR 931.7 million in the six-month period ended 30 June 2020G to SAR 1,791.4 million in the six-month period ended 30 June 2021G (SAR + 859.7 million), due to the increase in Product Suite revenues (SAR + 326.5 million) through the following: the increase in the revenues of the Absher platform (SAR +146 million), mainly due to the Group signing the value-added services agreement for the Absher platform, in addition to the increase in the revenues of other products, such as the Yakeen service (SAR +62 million) due to the increase in the revenues of some services and the addition of new services. Moreover, the economy recovered as compared to the same period last year, which positively affected product revenues in general. On the other hand, there was an increase in the revenue of the Project segments by SAR 533.5 million due to the increase in the number of projects with government entities in the BPO, N&U, and DCS segments, which contributed revenues of SAR 537.4 million. There was a decrease in the revenues of the Professional Services segment of SAR 3.9 million.

Cost of revenue

Cost of revenue consists of the cost of employees, which constituted about 45% of the total cost of revenue in the six-month period ended 30 June 2021G, and other direct costs such as contractor, software, electronic licenses, support, supply, partnership, and other costs.

Cost of revenue increased from SAR 716.7 million in the six-month period ended 30 June 2020G to SAR 1.2 million in the six-month period ended 2021G (SAR + 493.3 million), due to the increase in direct employee costs (SAR +111.8 million). This is due to the high cost of project segment employees, mainly because of the expansion of the Group's business (SAR +78 million), in addition to the increase in the cost of Product Suite employees (SAR +47.2 million) and outsourcing and contractor costs (SAR +115.2 million), due to a project to manage and operate service centres with a government entity that started in November 2020G, in addition to the increase in training costs related to the implementation of N&U projects (SAR +30.9 million).

Gross profit

Gross profit increased from SAR 215.0 million in the six-month period ended 30 June 2020G to SAR 581.4 million in the six-month period ended 30 June 2021G, in line with the increase in revenues generated from products (SAR + 143.9 million), especially the Absher platform (SAR +59.5 million) and projects (SAR +222.5 million), mainly because of a project to manage and operate service centres with a government entity in the BPO (SAR +192.5 million).

Selling and marketing expenses

Selling and marketing expenses include the cost of employees, advertising, SADAD costs, and other expenses.

The increase from SAR 32.0 million in the six-month period ended 30 June 2020G to SAR 42.7 million in the six-month period ended 30 June 2021G (SAR + 10.7 million) is due to the increase in employee costs (SAR +15.4 million), due to an increase in annual bonus entitlements (SAR +5.3 million) and an increase in sales incentives (SAR +5.5 million), in addition to an increase in employee salaries due to annual bonuses and an increase in the number of employees by 5 employees (SAR + 3.2 million).

Expected Credit Losses (ECL) provision

Expected credit loss relates to the provisions for the accounts receivable, contract assets, and employee receivables. In measuring expected credit loss, the Group uses forward-looking information based on the assumptions of future drivers of the various economic factors, and the manner in which these drivers interact with each other. The Group also uses estimates to calculate loss ratios, and, at the discretion of the management, the Group creates a provision for an additional expected credit loss for specific cases.

Expected credit losses amounted to SAR 57.3 million in the six-month period ended 30 June 2021G, of which SAR 53 million was for obsolete receivables, while SAR 29.0 million represents the resulting calculation of expected credit losses and SAR 24.0 million was allocated to specific cases due to the presence of signs of impairment, according to management estimates. SAR 4 million for contract assets was allocated to specific cases due to the presence of signs of impairment according to management estimates.

General and administrative expenses

Administrative and general expenses include the cost of employees, consulting and professional services, hospitality and activities, repair and maintenance expenses, contractor expenses, and other expenses.

General and administrative expenses increased from SAR 109.8 million in the six-month period ended 30 June 2020G to SAR 125.2 million in the six-month period ended 30 June 2021G (SAR +15.4 million) mainly due to the increase in employee costs (SAR +16.6 million), due to the increase in annual bonus entitlements (SAR +13.2 million), in addition to the increase in employee salaries due to annual bonuses (SAR +2.8 million), partially offset by a decrease in hospitality and activity expenses (SAR -4.8 million).

Depreciation and amortisation

Depreciation and amortization expenses are related to depreciation expenses for property, plant, and equipment, right-of-use assets, and intangible assets. Depreciation and amortization decreased slightly from SAR 53.6 million in the six-month period ended 30 June 2020G to SAR 53.2 million in the six-month period ended 30 June 2021G, as amortization expenses for intangible assets decreased (SAR -0.7 million) and depreciation of right-of-use assets decreased (SAR -2.7 million), while depreciation expenses for machinery, property, and equipment increased (SAR +3.1 million).

Finance costs

Financing expenses relate to capital lease expenses and the present value of an interest-free loan. Financing expenses decreased from SAR 3.2 million in the six-month period ended 30 June 2020G to SAR 2.9 million in the six-month period ended 30 June 2021G, mainly due to the current value of long-term lease Liability in accordance with IFRS 16.

Interest income on short term deposits

Interest income on short-term deposits consist of the financial returns from bank deposits. Interest income from short-term deposits decreased from SAR 8.0 million in the six-month period ended 30 June 2020G to SAR 4.7 million in the six-month period ended 30 June 2021G, due to the maturity of a term deposit to Tabadul amounting to SAR 250.0 million during the second quarter of the financial year 2020G and a decrease in the average interest rate.

Net share in results of associates

The share in the results of associates amounted to SAR 19 thousand in the six-month period ended 30 June 2021G, and relates to the Group's share in the profits of its associate, Smart National Solutions for Information System Technology, under the equity method.

Change in fair value through profit or loss (FVTPL)

The change in the fair value of investments through profit or loss arises from changes in the fair value of investments carried at fair value through the profit or loss. Gains generated from financial assets classified at fair value through profit or loss amounted to SAR 20.5 million in the six-month period ended 30 June 2021G and mainly related to fair value gains from investments in Zid.

Other income (expenses)

Other net revenues (expenses) decreased from revenue of SAR 2.3 million in the six-month period ended 30 June 2020G to SAR -3.1 million in the six-month period ended 30 June 2021G, mainly due to the presence of a donations expense during the period ended 30 June 2021G in the amount of SAR 5 million for the Ehsan platform.

Zakat

During 2021G, Royal Decree No. 35657 was issued dated 29/6/1442H, requiring that companies fully owned by the Public Investment Fund, whether directly or indirectly, be subject to Zakat starting from 2020G. Companies resident in the Kingdom of Saudi Arabia and the like which are fully owned by the Fund shall not be subject to Zakat for the financial years ended 31 December 2019G. Accordingly, the Group recorded Zakat expenses of SAR 43 million in the six-month period ended 30 June 2021G.

Net profit

Net profit increased from SAR 26.6 million in the six-month period ended 30 June 2020G to SAR 279.0 million in the six-month period ended 30 June 2021G, in line with the increase in revenues in most segments, especially in new projects in the Business Process Outsourcing segment and growth in the services of Absher - Business, in addition to a contract for the development and operation of Absher - Individuals. It should be noted that the six-month period ended 30 June 2020G was affected by the coronavirus pandemic, which contributed to the improvement of the Group's performance in general in the six-month period ended 30 June 2021G.

a) Analysis of revenues

The following table summarizes revenue by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-79): Revenue by Company

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	785,200	1,621,604	106.5%
Emdad Al Khebrat	192,355	288,905	50.2%
Saudi Company for Exchanging Digital Information (Tabadul)	130,074	150,715	15.9%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**1,107,629**	**2,061,224**	**86.1%**
Consolidation adjustments	(175,902)	(269,801)	53.4%
Total	**931,727**	**1,791,423**	**92.3%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Elm's revenues increased from SAR 785.2 million in the six-month period ended 30 June 2020G to SAR 1,621.6 million in the six-month period ended 30 June 2021G, mainly due to the increase in the revenues of the Product Suite segment due to the increase in the revenues of the Absher platform, in addition to the increase in the revenues of other products. On the other hand, there was an increase in the revenues of the Project segments due to the increase in the number of projects with government entities.

Emdad Al Khebrat

Emdad Al Khebrat's revenues increased from SAR 192.4 million in the six-month period ended 30 June 2020G to SAR 288.9 million in the six-month period ended 30 June 2021G, due to the presence of new projects, mainly with Elm (the parent company).

Saudi Company for Exchanging Digital Information (Tabadul)

Tabadul's revenues increased from SAR 130.1 million in the six-month period ended 30 June 2020G to SAR 150.7 million in the six-month period ended 30 June 2021G, representing Fasah platform services, due to the increase in the number of permit services operations as compared to the same period the last year.

The following table summarizes revenue by segment for Elm and its subsidiaries for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-80): Revenue by Segment

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Revenues			
Product Suite	632,034	949,193	52.4%
BPO	144,891	558,952	285%
DCS	79,094	106,989	35.3%
Professional Services	52,607	48,713	(7.4%)
N&U	32,101	127,576	297.4%
Total revenues	**931,727**	**1,791,423**	**92.3%**

Source: The unaudited consolidated financial statements for the three- and six-month period ended 30 June 2021G and management analyses.

Product Suite

The Product Suite contains a wide range of electronic services which are delivered by the Group to the public and private sectors. The Product Suite increased from SAR 623 million in the six-month period ended 30 June 2020G to SAR 949.2 million in the six-month period ended 30 June 2021G. The increase in product revenues (SAR +326.2 million) is due to: (1) an increase in the revenues of the Absher platform by SAR 146.0 million, mainly due to the Group signing the value-added services agreement for the Absher platform, in addition to the revenues gained from the contract to develop and operate Absher - Individuals, and (2) an increase in the revenues of the rest of the Group's products (Yakeen, Fasah, Tamm, Muqeem) which increased by SAR 135.1 million, as compared to the six-month period ended 30 June 2020G, which was significantly affected by the coronavirus pandemic.

BPO

BPO consist of workforce supply services projects that require the presence of workforce on the project site, usually provided through Emdad Al Khebrat.

Revenue from BPO increased from SAR 144.9 million in the six-month period ended 30 June 2020G to SAR 558.9 million in the six-month period ended 30 June 2021G, due to revenues related to a project to manage and operate service centres with a government entity, which started in November of 2020G (SAR +339 million), in addition to an increase in the revenues of a project with a government entity concerning inspection and control works (SAR +45 million). There was also an increase in the revenues of the digitization laboratories project with the Ministry of Justice, due to the increase in the number of operations executed during the period as compared to the same period last year (SAR +16 million).

DCS

The DCS represents the specialised digital solutions projects delivered by the Group.

DCS revenues increased from SAR 79.1 million in the six-month period ended 30 June 2020G to SAR 107.0 million in the six-month period ended 30 June 2021G, mainly due to a new project to develop an enterprise resource planning system with a government entity (SAR +30 million).

Professional Services

Professional Services relate to capacity building for human resources and businesses, information technologies, and digital consulting services.

Professional Services segment revenues decreased from SAR 52.6 million in the six-month period ended 30 June 2020G to SAR 48.7 million in the six-month period ended 30 June 2021G, due to the completion of some projects with government entities (SAR-18.5 million) and they were partially compensated for by new projects, such as a business excellence centre project and strategy implementation with a government entity (SAR +8.5 million) and a project to implement and operate a digital content project with a government entity (SAR +8.4 million).

N&U

N&U is a business unit newly established in 2020G that aims to providing training, qualification, and capacity building, in order to contribute to increasing the percentage of job Saudization for several sectors.

N&U segment revenues increased from SAR 32.1 million in the six-month period ended 30 June 2020G to SAR 127.6 million in the six-month period ended 2021G, due to the start of implementation and completion of the stages of an existing project with a government entity (SAR +66 million). In addition, the Company obtained a contract for Saudization programs related to training, qualification, and capacity building with a government entity during the third quarter of last year, which positively affected the revenues of the current period as compared to the same period last year (SAR +29 million).

The following table summarizes revenues by type of customer for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-81): Revenue by Client Type

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Governmental revenues	500,543	1,190,556	137.9%
Commercial revenues	431,184	600,867	39.4%
Total revenues	**931,727**	**1,791,423**	**92.3%**

Source:

The following table summarizes revenue from the five largest products for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-82): Revenue from the Top Five Products

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
YakeenE	122,975	185,335	50.7%
Absher	62,834	208,822	232.3%
Fasah	130,075	150,716	15.9%
Tamm	101,847	119,666	17.5%
Muqeem	89,066	123,328	38.5%
Subtotal	**506,797**	**787,867**	**55.5%**
Other products	116,236	161,326	38.8%
Total products	**623,034**	**949.13**	**52.4%**
As a % of the total			
Yakeen	19.7%	19.5%	(0.2)
Absher	10.1%	22.0%	11.9
Fasah	20.9%	15.9%	(5.0)
Tamm	16.3%	12.6%	(3.7)
Muqeem	14.3%	13.05	(1.3)
Subtotal	**81.3%**	**83.0%**	**1.7**
Other products	18.7%	17.0%	(1.7)

Source: Management information

b) Analysis of the cost of revenue

The following table summarizes cost of revenue by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-83): Cost of Revenue by Company

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	644,208	1,138,358	76.7%
Emdad Al Khebrat	164,303	243,479	48.2%
Saudi Company for Exchanging Digital Information (Tabadul)	84,080	97,596	16.1%
Elm Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**892,591**	**1,479,433**	**65.7%**
Consolidation adjustmentsConsolida-tion adjustments	(175,902)	(269,400)	53.2%
Total	**716,689**	**1,210,033**	**68.8%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The Group's cost of revenue consists of the costs of Elm and Emdad Al Khebrat, in addition to the Saudi Company for Exchanging Digital Information (Tabadul), which was acquired in 2020G.

Elm

Elm's cost of revenue increased from SAR 644.2 million in the six-month period ended 30 June 2020G to SAR 1,138.3 million in the six-month period ended 30 June 2021G, due to the increase in outsourcing and contractor costs (SAR + 212.4 million),because of a new project to manage and operate centres with a government entity that started in November 2020G. In addition to, increase in the costs related to the agreement to develop data and information resources (SAR +16.9 million), along with an increase in income-sharing expenses (SAR +124.8 million). There was also an increase in training cost related to N&U(SAR +30.9 million) and in the costs of electronic programs and licenses mainly related to a project to develop an enterprise resource system for a government entity (SAR +39.6 million).

There was also an increase in the direct cost of employees, mainly due to the increase in the entitlement to the annual bonus for employees (SAR +31 million).

Emdad Al Khebrat

Cost of revenue increased from SAR 164.3 million in the six-month period ended 30 June 2020G to SAR 243.5 million in the six-month period ended 30 June 2021G, due to the increase in direct employee costs, in line with the increase in revenues , which is due to the increase in the number of employees by 247 employees (SAR +70.1 million).

Saudi Company for Exchanging Digital Information (Tabadul)

Cost of revenue increased from SAR 84.1 million in the six-month period ended 30 June 2020G to SAR 97.6 million in the six-month period ended 30 June 2021G, due to the increase in direct employee costs (SAR +12 million).

The following table summarizes cost of revenue by type for Elm and its subsidiaries for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-84): Cost of Revenue

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Direct cost of employees	434,387	546,158	25.7%
Outsourcing and contractor costs	50,015	165,181	230.3%
Software and electronic licences	43,323	78,686	81.6%
Support and supply expenses	37,807	40,181	6.3%
Income sharing project expenses	26,608	151,403	15.6%
Training programs	14,462	45,321	213.4%
Partnership costs	16,072	17,077	6.2%
Costs related to the data and information resources development agreement	20,131	37,080	683.6%
IT devices	7,667	9,443	23.2%
Other	66,217	119,503	80.5%
Total cost of revenue	**716,689**	**1,210,033**	**68.8%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Direct cost of employees

Direct employee costs are mainly related to employee salaries and benefits.

Direct employee costs increased from SAR 434.4 million in the six-month period ended 30 June 2020G to SAR 546.3 million in the six-month period ended 30 June 2021G, due to an increase in the costs of seconded employees as a result of a new project to manage and operate centres with a government entity (SAR + 54.5 million) and accrued annual bonuses (SAR +47.2 million), in addition to the increase in the number of employees (+18 employees) and the annual salary increase as at April 2021G.

Outsourcing and contractor costs

Outsourcing and contractor costs are mainly related to outsourcing of external parties to perform specific works.

Costs increased from SAR 50.0 million in the six-month period ended 30 June 2020G to SAR 165.2 million in the six-month period ended 30 June 2021G, mainly due to the increased workforce requirements for a project to manage and operate centres with a government entity.

Electronic software and licenses

The costs of electronic software and licenses are associated with many programs and licenses that the Group obtained to fulfil its obligations in a number of existing projects.

The costs of electronic software and subscriptions increased from SAR 43.4 million in the six-month period ended 30 June 2020G to SAR 78.7 million in the six-month period ended 30 June 2021G, mainly due to a project to develop an enterprise resource system for a government entity (SAR +39.6 million).

Support and supply expenses

Support and supply expenses relate to technical support services and SMS.

Support and supply expenses increased from SAR 37.8 million in the six-month period ended 30 June 2020G to SAR 40.2 million in the six-month period ended 30 June 2021G, due to the increase in SMS expenses during the period, which resulted from the increase in the number of operations executed during the period as compared to the same period last year.

Income sharing project expenses

Income-sharing project expenses are related to the revenue-sharing agreement in force as at 1 January 2019G between Tabadul, a government entity, and two government entities, as well as a profit-sharing agreement with a government entity.

Training programs

Expenses for training programs offered as part of the requirements of projects are related to and incurred in accordance with the requirements for fulfilling the contract obligations.

Training program expenses increased from SAR 14.5 million during the six-month period ended 30 June 2020G to SAR 45.3 million during the six-month period ended 30 June 2021G, to meet the requirements of Saudization segment projects with government agencies.

Partnership costs

Partnership costs are commissions paid by the Group to a number of partners which provide sales support, mostly for Tamm and Muqeem products. Partnership costs increased from SAR 16.1 million during the six-month period ended 30 June 2020G to SAR 17.1 million during the six-month period ended 30 June 2021G, due to the increase in sales achieved by Elm partners from Yakeen and Muqeem services.

Costs related to the data and information resources development agreement

These are the costs of accessing data held by a government entity. The increase from SAR 20.1 million during the six-month period ended 30 June 2020G to SAR 37.1 million during the six-month period ended 30 June 2021G was due to a profit-sharing agreement entered into with such entity.

IT devices

IT hardware costs are costs related to hardware which is purchased to fulfil contractual obligations for products and projects. They change based on the requirements. IT hardware costs increased from SAR 7.7 million during the six-month period ended 30 June 2020G to SAR 9.4 million during the six-month period ended 30 June 2021G due to higher project requirements compared to the same period last year.

Other

Other Income cost consists of the costs of consultants, data departments, service providers, construction, renovation, security, cleaning, hospitality, rent, postage, shipping, marketing, and other expenses.

Other expenses increased from SAR 66.2 million during the six-month period ended 30 June 2020G to SAR 119.5 million during the six-month period ended 30 June 2021G, mainly due to the increase in costs related to managing and operating service centres for a government entity. Security and cleaning costs increased (SAR +14.3 million) and costs of rent, maintenance, and hospitality also increased (SAR +20.2 million). In addition to, the increase in project marketing costs, mainly due to a project to implement and operate a digital content project with a government entity as part of the contracted work (SAR +7.6 million).

c) Gross profit analysis

The following table summarizes total profit by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-85): Gross Profit by Company

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	140,992	483,246	242.7%
Emdad Al Khebrat	28,052	45,425	61.9%
Saudi Company for Exchanging Digital Infor-mation (Tabadul)	45,994	53,120	15.5%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**215,038**	**581,791**	**170.6%**
Consolidation adjustmentsConsolidation Adjustments	-	(401)	N/A
Total	**215,038**	**581,390**	**170.4%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The total profit amounted to SAR 581.4 million during the six-month period ended 30 June 2021G. Elm Company was the largest contributor to this amount by about 83%, and Tabadul contributed about 9% of the total profit, while Emdad Al Khebrat Company contributed about 8% in such period.

The total profit increased from SAR 215.0 million during the six-month period ended 30 June 2020G to SAR 581.4 million during the six-month period ended 30 June 2021G, mainly due to the increase in the gross profit of Elm Company from SAR 140.9 million as at 31 December 2020G to SAR 483.3 million as at 30 June 2021G, driven by the increase in projects and the improvement of the Group's performance compared to the first half of 2020G, which was significantly affected by the coronavirus pandemic.

The following table summarizes total profit by segment for Elm Company and its subsidiaries for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-86): Gross Profit by Segment

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Product Suite	271,281	415,172	53.0%
Business Process Outsourcing	(58,114)	134,374	331.2%
Technical Projects Group	(12,973)	1,228	109.5%
Professional Services	3,329	(3,912)	(217.5%)
Nationalization and Upskilling	11,515	34,528	199.8%
Gross profit/(loss)	**215,038**	**581,390**	**170.4%**
Key Performance Indicators:			
Gross profit margin			**Percentage point**
Product Suite	43.5%	43.7%	0.2
Business Process Outsourcing	(40.1%)	24.0%	64.1
Technical Projects Group	(16.4%)	1.1%	17.5
Professional Services	6.3%	(8.0%)	(14.4)
Nationalization and Upskilling	35.9%	27.1%	(8.8)
Total	**23.1%**	**32.5%**	**9.4**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Product Suite

The total profit of the Product Suite constituted about 71% of the Group's total profit. It increased from SAR 271.3 million during the six-month period ended 30 June 2020G to SAR 415.2 million during the six-month period ended 30 June 2021G (SAR +143.9 million), mainly due to the increase in the revenues of the Absher platform (SAR +146.0 million). This was driven by the Group signing the value-added services agreement for the Absher platform and the revenues gained from the contract to develop and operate Absher - Individuals, in addition to the improvement of the performance of the Group's services (Yakeen, Fasah, Tamm, and Muqeem) (SAR +45.2 million) during the six-month period ended 30 June 2021G, compared to the same period in 2020G, which was significantly affected by the coronavirus pandemic. This resulted in a gross profit margin of 43.7% for the six-month period ended 30 June 2021G.

Business Outsourcing

The total profit of Business Process Outsourcing projects increased from a total loss of SAR 58.1 million during the six-month period ended 30 June 2020G to a total profit of SAR 134.4 million during the six-month period ended 30 June 2021G.This was mainly due to a project to manage and operate service centres with a government entity which started in November 2021G that achieved a total profit of SAR 91 million during the six-month period ended 30 June 2021G. In addition, the partnership contract project with a government entity specialized in inspection and control activities achieved a total profit of SAR 16 million. This resulted in a gross profit margin of 24.0% for the six-month period ended 30 June 2021G.

Technical Projects Group

The total profit of the technology projects group increased from a total loss of SAR -13.0 million to a total profit of SAR 1.2 million, which contributed to the increase in the segment's revenues from SAR 79 million to SAR 107 million due to new projects, such as a project to develop an enterprise resource system for a government entity. In addition, the costs of some existing projects decreased, which resulted in a gross profit margin of 1.1% for the six-month period ended 30 June 2021G.

Professional Services

Total profit decreased from SAR 3.3 million during the six-month period ended 30 June 2020G to a total loss of SAR 3.9 million during the six-month period ended 30 June 2021G, due to the end of some projects with high profit margins. There were also new projects which achieved a loss margin during such period, such as the project to implement and operate a digital content project with a government entity, which recorded a total loss margin of -3.0%, as the initial stage required large marketing costs that are expected to be recovered as the project stages progress. The segment achieved a total loss margin of (8.0%) for the six-month period ended 30 June 2021G.

Nationalization and Upskilling

Total profit increased from SAR 11.5 million during the six-month period ended 30 June 2020G to SAR 34.5 million during the six-month period ended 30 June 2021G, in line with the growth in revenues of existing projects. In addition, there was a new project which started during the third quarter of 2020G. However, the gross profit margin decreased from 35.9% to 27.1% due to the increase in training costs in order to meet the performance obligations of such projects. The segment achieved a gross profit margin of 32.5% for the six-month period ended 30 June 2021G.

d) Selling and marketing expenses

The following table summarizes selling and marketing expenses by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-87): Selling and Marketing Expenses by Company

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	29,474	41,957	42.4%
Emdad Al Khebrat	-	529	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	2,512	640	(74.5%)
Elm Investment Company	-	-	N/A
Future Resources	-	-	N/A

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**31,986**	**43,126**	**34.8%**
Consolidation adjustments	-	(401)	N/A
Total	**31,986**	**42,725**	**33.6%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Selling and marketing expenses consist of expenses related to Elm and Emdad Al Khebrat, in addition to the expenses of the Saudi Company for Exchanging Digital Information (Tabadul), which was acquired in 2020G. The selling and marketing expenses of Elm accounted for about 97.3% of the total selling and marketing expenses during the six-month period ended 30 June 2021G, while Tabadul accounted for about 1.5% and Emdad Al Khebrat accounted for about 1.2% of the total expenses.

Elm

Selling and marketing expenses increased from SAR 29.5 million during the six-month period ended 30 June 2020G to SAR 41.9 million during the six-month period ended 30 June 2021G due to the increase in employee salaries and benefits expenses (SAR +14.9 million). There was also a decrease in advertising and exhibition expenses due to non-participation in exhibitions during such period in addition to low advertising costs (SAR -3.8 million).

Saudi Company for Exchanging Digital Information (Tabadul)

Selling and marketing expenses decreased from SAR 2.5 million during the six-month period ended 30 June 2020G to SAR 640 thousand during the six-month period ended 30 June 2021G, due to the decrease in advertising and exhibition expenses which was driven by low advertising costs (SAR- 0.9 million).

The following table summarizes selling and marketing expenses for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-88): Selling and Marketing Expenses

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Employee salaries and benefits	21,317	36,708	72.2%
Advertising and exhibitions	5,404	618	(88.6%)
SADAD service expenses	2,120	3,156	48.9%
Public relations	2,710	1,796	(33.7%)
Other expenses	435	447	2.7%
Total selling and marketing expenses	**31,986**	**42,725**	**33.6%**
Key Performance Indicators:			**Variation:**
Number of employees	101	106	5.0%
Monthly cost per employee (SAR)	35,177	57,717	64.1%
As a % of revenue			**Percentage point**
Employee salaries and benefits	2.3%	2.0%	(0.2)
Advertising and exhibitions	0.6%	0.0%	(0.5)
SADAD service expenses	0.2%	0.2%	(0.1)
Public relations	0.3%	0.1%	(0.2)
Other expenses	0.0%	0.0%	(0.0)
Total selling and marketing expenses	**3.4%**	**2.4%**	**(1.0)**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Employee salaries and benefits

The costs of employee salaries and benefits increased from SAR 21.3 million during the six-month period ended 30 June 2020G to SAR 36.7 million during the six-month period ended 30 June 2021G, due to the increase in annual bonus entitlements driven by the Group's positive financial results during the six-month period ended 2021G compared to the six-month period ended 2020G (SAR + 5.3 million). In addition, the employee incentives entitlements increase (SAR + 5.0 million) and the number of employees increase by +5 employees, which led to an increase in salaries and annual bonuses (SAR + 3.2 million).

Advertising and exhibitions

Advertising and exhibition costs relate to the costs of marketing and participating in exhibitions, particularly at major events, in addition to placing advertisements in key locations. Advertising and exhibition costs increased from SAR 5.4 million during the six-month period ended 30 June 2020G to SAR 618 thousand during the six-month period ended 30 June 2021G, due to receiving an advertising contract.

SADAD service expenses

SADAD service charges are associated with fees incurred by the Group to facilitate client payments made through the SADAD service. The fees for each transaction are subject to rates which depend on the number and volume of transactions, ranging from SAR 4.76 to SAR 6.15 per transaction through six progressive segments starting from 500 thousand to more than 10 million transactions.

Such expenses increased from SAR 2.1 million during the six-month period ended 30 June 2020G to SAR 3.2 million during the six-month period ended 30 June 2021G, in line with the increase in revenues, which resulted in an increase in the number of transactions carried out during such period.

Public relations

Public relations costs relate to conducting surveys, questionnaires and other activities performed by the Group. These costs decreased from SAR 2.7 million during the six-month period ended 30 June 2020G to SAR 1.8 million during the six-month period ended 30 June 2021G, because of the decrease in public relations dues for Tabadul of SAR 1.0 million, which were incurred in the first half of 2020G.

Other expenses

This consists of expenses for advanced technical and financial presentations, content creation, events, and other miscellaneous expenses. Other expenses increased from SAR 435 thousand during the six-month period ended 30 June 2020G to SAR 447 thousand during the six-month period ended 30 June 2021G.

e) Analysis of general and administrative expenses

The following table summarizes general and administrative expenses by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-89): General and Administrative Expenses

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	78,513	83,075	5.8%
Emdad Al Khebrat	7,501	8,773	17.0%
Saudi Company for Exchanging Digital Information (Tabadul)	26,036	38,030	46.1%
Elm Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**112,050**	**129,878**	**15.9%**
Consolidation Adjustments	(2,202)	(4,641)	110.7%
Total	**109,848**	**125,237**	**14.0%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

General and administrative expenses consist of the expenses of Elm and Emdad Al Khebrat, in addition to the expenses of the Saudi Company for Exchanging Digital Information (Tabadul), which was acquired in 2020G.

Elm

General and administrative expenses increased from SAR 78.5 million during the six-month period ended 30 June 2020G to SAR 83.1 million during the six-month period ended 30 June 2021G. This was mainly due to the 1) increase in employee costs (SAR +15.6 million), 2) increase in annual bonus entitlements (SAR +12.9 million),3) in addition to, the increase in the salaries of employees due to annual bonuses (SAR +2.1 million). On the other hand, there was a decrease in the fees for consulting and professional services (SAR -7.6 million). Hospitality and activities expenses, affected by the application of precautionary measures to combat COVID-19, decreased (SAR -3.6 million).

Emdad Al Khebrat

General and administrative expenses increased from SAR 7.5 million during the six-month period ended 30 June 2020G to SAR 8.8 million during the six-month period ended 30 June 2021G, mainly due to the increase in fees for consulting and professional services which the company obtains from Elm. Hence, are excluded upon consolidation (SAR +2.4 million).

Saudi Company for Exchanging Digital Information (Tabadul)

General and administrative expenses increased from SAR 26.0 million during the six-month period ended 30 June 2020G to SAR 38.0 million during the six-month period ended 30 June 2021G, mainly due to the increase in fees for consulting and professional services (SAR +7.1 million), in addition to the increase in employee salaries and benefits (SAR +2.4), and finally the increase in contractor expenses (SAR +1.0).

The following table summarizes total general and administrative expenses for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-90): General and Administrative Expenses

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Employee salaries and benefits	81,444	98,089	20.4%
Consulting and professional services	10,041	10,165	1.2%
Hospitality and activities	5,844	2,661	(54.5%)
Repair and maintenance expenses	918	524	(43.0%)
Public utilities and communications	2,006	1,732	(13.7%)
Contractor expenses	2,334	3,168	35.7%
Rent	-	-	-
Subscriptions and memberships	1,464	3,277	123.8%
Other expenses	5,797	5,621	(3.0%)
Total general and administrative expenses	**109,848**	**125,237**	**14.0%**
Key Performance Indicators:			
Monthly cost per employee (SAR)	39,574	50,148	26.37%
As a % of revenue			**Percentage point**
Employee salaries and benefits	8.7%	5.5%	(3.3)
Consulting and professional services	1.1%	0.6%	(0.5)
Hospitality and activities	0.6%	0.1%	(0.5)
Repair and maintenance expenses	0.1%	0.0%	(0.1)
Public utilities and communications	0.2%	0.1%	(0.1)
Contractor expenses	0.3%	0.2%	(0.1)
Rent expenses	-	-	-
Subscriptions and memberships	0.2%	0.2%	-
Other expenses	0.8%	0.5%	(0.3)
Total general and administrative expenses	**11.8%**	**7.0%**	**(4.8)**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Employee salaries and benefits

The costs of employee salaries and benefits increased from SAR 81.4 million during the six-month period ended 30 June 2020G to SAR 98.1 million during the six-month period ended 30 June 2021G, due to the increase in annual bonus entitlements driven by the Group's positive financial results during the six-month period ended 30 June 2021G (SAR +13.2 million). In addition to, employee salaries increased mainly due to annual bonuses (SAR +2.8 million).

Consulting and professional services

Consulting and professional services fees are related to the consulting services provided to the Group. Fees for consulting and professional services increased from SAR 10 million during the six-month period ended 30 June 2020G to SAR 10.2 million during the six-month period ended 30 June 2021G. This was due to the increased consulting and professional fees incurred by Tabadul (SAR +9.5 million). On the other hand, there was a decrease in the professional and consulting fees incurred by Elm (SAR -6.0 million).

Hospitality and activities

Hospitality and activities costs relate to events, celebrations, and external security services provided to the Company. Hospitality and activities costs decreased from SAR 5.8 million during the six-month period ended 30 June 2020G to SAR 2.7 million during the six-month period ended 30 June 2021G, due to the decrease in events and celebrations expense which were affected by the application of precautionary measures to combat COVID-19 (SAR -60 thousand). In addition to, the decrease in security and cleaning expenses (SAR -1.2 million).

Repair and maintenance expenses

Repair and maintenance costs mostly relate to the periodic repairs of the Group's buildings, which are carried out as needed. Repair and maintenance expenses decreased from SAR 918 thousand during the six-month period ended 30 June 2020G to SAR 524 thousand during the six-month period ended 30 June 2021G.

Public utilities and communications

The costs of public utilities and communications relate to electricity, water, internet, and other expenses. These exenses decreased from SAR 2.0 million during the six-month period ended 30 June 2020G to SAR 1.7 million during the six-month period ended 30 June 2021G.

Contractor expenses

Contractor expenses relate to the expenses incurred by the Group for the use of specialists for a specified period. Contractor expenses increased from SAR 2.3 million during the six-month period ended 30 June 2020G to SAR 3.2 million during the six-month period ended 30 June 2021G, as the Group hired more contractors compared to the same period last year.

Subscriptions and memberships

Subscription and membership expenses increased from SAR 1.5 million to SAR 3.3 million, mainly due to the cost of renewing the Company's ERP license.

Other expenses

These consist of the benefits of the members of the Board of Directors, committees, and others.

Other expenses increased from SAR 5.8 thousand during the six-month period ended 30 June 2020G to SAR 5.6 thousand during the six-month period ended 30 June 2021G.

f) Analysis of other revenues (expenses)

The following table summarizes other revenue and expenses by company for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-91): Other Revenue and Expenses

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	24,935	37,754	51.4%
Emdad Al Khebrat	1,835	1,667	(9.2%)
Saudi Company for Exchanging Digital Information (Tabadul)	70	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**26,840**	**39,421**	**46.9%**
Consolidation Adjustments	**(24,569)**	**(42,571)**	**73.3%**
Total	**2,271**	**(3,150)**	**(38.7%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Revenues and other expenses consist of the revenues and expenses of Elm and Emdad Al Khebrat, in addition to the revenues of the Saudi Company for Exchanging Digital Information (Tabadul) generated after it was acquired in 2020G.

The following table summarizes other revenue and expenses for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-92): Other Revenue and Expenses

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Donations	-	(5,00)	N/A
Amounts received from the Human Resources Development Fund to support Saudisation	1,841	1.692	(8.1%)
Reversal (formation) of a provision for legal cases	-	-	N/A
Other	430	158	(63.3%)
Total other revenues and expenses	**2,271**	**(3.150)**	**(38.7%)**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Revenues and other expenses amounted to SAR 3.1 million (expenses) during the six-month period ended 30 June 2021G, mainly related to the amount of donations made by the Group on the Ehsan platform.

g) Total other comprehensive income

The following table summarizes other comprehensive total income for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-93): Other Comprehensive Income

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Net profit for the year	26.653	279,019	946.8%
Items that will not be re-classified subsequently in the profit or loss statement			
Change in fair value of investments at FVTOCI	-	-	-
Recalculation of the end-of-service provision	-	-	-
Total comprehensive income for the year	**26.653**	**279.019**	**946.8%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Total other comprehensive income includes the Group's net income, along with the change in the fair value of investments and the re-measurement of the provision for end-of-service benefits.

The fair value of investments contains financial assets at fair value, which are investments in several companies, namely, Syarah, Bezaat, Unifonic, and HealthifyMe.

The Group grants end-of-service benefits to its employees, taking into account the requirements of the Labour Law in force in the Kingdom. End-of-service benefits provided under the entitlement scheme represent a lump sum whose value is based on the employees' final salaries, provisions, and their cumulative service years on the end date of service. The entitlements liability recognized in the consolidated statement of financial position for a defined end-of-service entitlements plan is the present value of the defined entitlements liability as at the date on which the reports are prepared. The defined entitlements liability is calculated periodically by qualified actuaries using the projected unit credit method.

6-7-1-2 Consolidated statement of financial position

The following table summarizes the consolidated statement of financial position as at 31 December 2020G and 30 June 2021G:

Table (6-94): Consolidated Statement of Financial Position

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Non-current assets			
Property, machinery, and equipment	373,732	364,877	(2.4%)
Capital work in progress	108,538	93,127	(14.2%)
Right-of-use assets	131,458	123,236	(6.3%)
Intangible assets	82,978	106,303	28.1%
Investments in associates	213	381	78.9%
Other financial assets	454,444	70,123	54.3%
Total non-current assets	**742,363**	**758,047**	**2.1%**
Current assets			
Receivables	1,370,496	1,796,538	31.1%
Contract assets	269,127	539,106	100.3%
Prepaid expenses and other accounts receivable	91,588	118,204	29.1%
Other financial assets	-	-	N/A
Bank deposits	537,968	573,536	6.6%
Cash and cash equivalents	1,013,318	801,130	(20.9%)
Total current assets	**3,282,497**	**3,828,514**	**16.6%**
Total assets	**4,024,860**	**4,586,561**	**13.9%**

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Equity			
Issued and paid up capital	50,000	500,000	900.0%
Proposed capital increase	450,000	300,000	(33.3%)
Statutory reserve	25,000	25,000	0.0%
Other reserves	(35.371)	(35.371)	0.0%
Retained earnings	1,744.306	1,723,326	(1.2%)
Total equity	**2,233,935**	**2,512,955**	**12.5%**
Non-current liabilities			
Capital lease liabilities - non-current	74,256	50,143	(32.5%)
Lease liabilities - non-current	101,534	107,690	6.1%
Provision for employee end-of-service benefits	228,121	241,889	6.0%
Total non-current liabilities	**403,911**	**399,722**	**(1.0%)**
Current liabilities			
Payables	226,712	367,147	61.9%
Dues to Related Parties	24,105	8,247	(65.8%)
Contract liabilities	227,283	199,513	(12.2%)
Accrued expenses and other liabilities	791,359	998,253	26.1%
Zakat	65,690	64,788	(1.4%)
Capital lease liabilites – current	23,496	24,113	2.6%
Current lease liabilities	28,369	11,823	(58.3%)
Total current liabilities	**1,387,014**	**1,673,884**	**20.7%**
Total liabilities	**1,790,925**	**2,073,606**	**15.8%**
Total liabilities and equity	**4,024,860**	**4,586,561**	**14.0%**
Key Performance Indicators			
Average days sales outstanding (days)	46	44	(4.3%)
Average days payable outstanding (days)	272	227	(16.5%)
Return on assets	8.2%	13.5%	6.6%
Return on equity	14.6%	24.5%	67.8%

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G.

The average receivables collection period was calculated based on the average total receivables of net revenue/365 days.

The average payment period was calculated based on the average accounts payable/365 days.

Return on assets was calculated by dividing net profit before non-controlling interests by average total assets.

Return on equity was calculated by dividing net profit before non-controlling interests by average equity.

Note: The comparative balance sheet as at 31 December 2020G has been subject to two reclassifications: (1) SAR 11.7 million between prepayments and other assets and accrued expenses and other liabilities and (2) a reclassification of SAR (35.7) million from retained earnings to other reserves. It is worth emphasizing that it is just a reclassification.

Assets

Non-current assets

Non-current assets increased from SAR 742.4 million as at 31 December 2020G to SAR 758 million as at 30 June 2021G, driven by an increase in intangible assets (SAR +23.3 million) due to transfers from capital work in progress and financial assets (SAR +24.7 million), while there was a decrease in property and equipment (SAR -8.9 million), which was mainly due to depreciation expense during such period.

Current assets

Current assets increased from SAR 3,282 million as at 31 December 2020G to SAR 3,828 million as at 30 June 2021G due to the increase in accounts receivable (SAR +426 million) and contract assets (SAR +270 million) in line with the increase in revenues and new projects carried out with government entities.

Liabilities and equity

Equity

Total equity increased from SAR 2,234 million as at 31 December 2020G to SAR 2,512 million as at 30 June 2021G, mainly due to the net profit for such period, noting that the Group increased the capital by SAR 450 thousand through transferring SAR 33.3 million from retained earnings and SAR 416.7 million resulting from the acquisition of Tabadul. The statutory procedures were completed during the first quarter of 2021G, as SAR 450.0 million were transferred to the Group's capital, which increased from SAR 50 million as at 31 December 2020G to SAR 500 million as at June 31, 2021G, consisting of 50 million shares with a nominal value of SAR 10 per share.

It is worth noting that on June 20, 2021G the General Assembly approved an additional proposed increase in the capital through a transfer from retained earnings in the amount of SAR 300.0 million through the issuance of 30 million new shares with a nominal value of SAR 10 each. The statutory procedures for the capital increase were completed on 1 July 2021G.

Liabilities

Non-current liabilities

Non-current liabilities decreased from SAR 403.9 million as at 31 December 2020G to SAR 399.7 million as at 30 June 2021G, as a result of a decrease in rental liabilities. This was due to the payments made by the Group (SAR - 33.9 million), while there was an increase in the provision for end of service benefits as a result of the expense calculated during the period (SAR +13.8 million).

Current liabilities

Current liabilities increased from SAR 1,387 million as at 31 December 2020G to SAR 1,673.9 million on 30 June 2021G, as a result of the increase in accounts payable in addition to the increase in the balances of accrued expenses and other liabilities, in line with the increase in costs for such period (SAR +347 million).

Non-current assets

a) Property, machinery, and equipment

The following table summarizes property, machinery, and equipment by company for the financial years ended 31 December 2020G and 30 June 2021G:

Table (6-95): Property, Machinery, and Equipment

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	344,886	321,840	(6.7%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	28,846	43,037	49.2%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**373,732**	**364,877**	**(2.4%)**
Adjustments associated with consolidation	-	-	N/A
Total	**373,732**	**364,877**	**(2.4%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Net property, machinery, and equipment decreased from SAR 344.8 million as at 31 December 2020G to SAR 328.8 million as at 30 June 2021G, mainly due to depreciation expenses during such period, which were SAR 23 million, while additions were SAR 7 million.

Saudi Company for Exchanging Digital Information (Tabadul)

Net property, machinery, and equipment increased from SAR 28.8 million as at 31 December 2020G to SAR 43 million as at 30 June 2021G, mainly due to transfers from capital work in progress, which amounted to SAR 16 million, while depreciation expenses were SAR 3 million.

The following table summarizes the net book value of the Company's property, machinery, and equipment as at 31 December 2020G and 2021G:

Table (6-96): Property, Machinery, and Equipment

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited		
		Cost	Accumulated Depreciation	Net Book Value
Land	33,760	33,760	-	33,760
Buildings	269,561	293,575	(35,386)	258,189
IT devices	35,857	120,200	(73,300)	46,900
Furniture and fixtures	7,145	44,988	(38,827)	6,161
Leasehold improvements	24,482	113,836	(99,446)	14,390
Vehicles	2,927	8,814	(3,337)	5,477
Total net property, machinery, and equipment	**373,732**	**615,173**	**(250,295)**	**364,877**

Source: Management information

The following table summarizes the movement of property, machinery, and equipment for the financial year ended 30 June 2021G:

Table (6-97): Property, Machinery, and Equipment as at 31 December 2020G

SAR'000	31 December 2020G Audited	Acquisition cost/ depreciation	Additions	Transfers	Exclusions	30 June 2021G Unaudited
Cost						
Land	33,760	-	-	-	-	33,760
Buildings	301,110	-	191	(7,726)	-	293,575
IT devices	100,337	-	3,954	16,088	(179)	120,200
Furniture and fixtures	44,745	-	105	143	(4)	44,988
Leasehold improvements	113,825	-	10	-	-	113,836
Vehicles	8,233	-	3,322	-	(2,742)	8,814
Total	**602,010**	**-**	**8,582**	**8,505**	**(2,925)**	**615,173**
Accumulated depreciation						
Land	-	-	-	-	-	-
Buildings	(31,549)	-	(4,618)	780	-	(35,386)
IT devices	(64,480)	-	(8,998)	-	178	(73,300)
Furniture and fixtures	(37,600)	-	(1,231)	-	4	(38,827)
Leasehold improvements	(89,343)	-	(10,103)	-	-	(99,446)
Vehicles	(5,306)	-	(702)	-	2,671	(3,337)
Total	**(228,278)**		**(25,651)**	**780**	**2,853**	**(250,295)**
Net book value	**373,732**			**364,877**		

Source: Management information

Land

This relates to the land owned by Elm (SAR 25.8 million) and Tabadul (SAR 8.0 million).

Buildings

These consist of the head offices of Elm and Tabadul, which are depreciated over a period of 33 years. The Company's main building was purchased in 2011G (at a total cost of SAR 228.0 million) and SAR 53 million was invested in the building (primarily related to improvements and construction). Ownership of the building will be transferred to the Group upon completion of the instalment payments by 2024G. The value of buildings decreased from SAR 269.6 million as at 31 December 2020G to SAR 258.2 million as at 30 June 2021G, mainly due to transfers amounting to SAR 7.7 million related to a disputed amount pertaining to the development of the Al Thuraya building. Elm won the case and thus transferred such amount to other receivables.

IT devices

These include laptops, desktop computers, computer servers, data centres, communication tools, etc. IT devices are depreciated over 3 to 5 years depending on the type of hardware. The balance of information technology devices increased from SAR 35.9 million as at 31 December 2020G to SAR 46.9 million as at 30 June 2021G. This increase was mainly due to the additions of new laptops in 2021G.

Furniture and fixtures

This includes desks, chairs, tables, and cabinets. Furniture is depreciated over a period of 5 years. The furniture and fixtures balance decreased from SAR 7.1 million as at 31 December 2020G to SAR 6.1 million as at 30 June 2021G, mainly due to depreciation expenses.

Leasehold improvements

These include improvements and construction carried out on leased offices. Leasehold improvements are depreciated over the lease period or 5 years, whichever is less. Leasehold improvements decreased from SAR 24.5 million as at 31 December 2020G to SAR 14.4 million as at 30 June 2021G, mainly due to depreciation expenses.

Vehicles

These include cars and vehicles owned by the Company. Vehicles are depreciated on a straight-line basis for 4 years. Vehicles increased from SAR 2.9 million as at 31 December 2020G to SAR 5.5 million as at 30 June 2020G, mainly due to the addition of new vehicles.

b) Capital work in progress

The following table summarizes capital work in progress by company as at 31 December 2020G and 30 June 2021G:

Table (6-98): Capital Work in progress

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	54,182	42,185	(22.1%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	54,356	50,942	(6.3%)
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**108,538**	**93,127**	**(14.2%)**
Adjustments associated with consolidation	-	-	N/A
Total	**108,538**	**93,127**	**(14.2%)**

*Elm Digital Payments was liquidated on 1 June 2021G
Source: Management information

Elm

Capital work decreased from SAR 54.2 million as at 31 December 2020G to SAR 42.1 million as at 30 June 2021G, mainly due to the completion of business development and the transfer of such to intangible assets.

Saudi Company for Exchanging Digital Information (Tabadul)

Capital work decreased from SAR 54.2 million as at 31 December 2020G to SAR 42.1 million as at 30 June 2021G, mainly due to the completion of business development and the transfer of such to intangible assets and property and equipment.

The following table summarizes capital work in progress as at 31 December 2020G and 30 June 2021G:

Table (6-99): Capital Work Payments

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Opening balance	48,147	108.538	125.4%
Acquisition net proceeds	34,179	-	N/A
Additions during the year	121,322	32,051	(73.6%)
Transferred to property, machinery, and equipment	(19,824)	(16,230)	(18.1%)
Transferred to intangible assets	(65,884)	(31,232)	(52.6%)
Exclusions during the year	(9,402)	-	N/A
Final balance	**108,538**	**93,127**	**(14.2%)**

Source: Management information

Payments for capital work relate to internal development work undertaken to develop programs or client-related project costs (which require construction work, such as outfitting offices on sites) that will be handed over upon the completion of development. Payments for capital work decreased from SAR 108.5 million as at 31 December 2020G to SAR 93.1 million as at 30 June 2021G, mainly due to the completion of business development and the transfer of such to intangible assets and property and equipment.

Most significant additions as at 30 June 2021G was the additions of SAR 22.8 million with relates to Tabadul, in particular the Fasah platform and infrastructure development, in addition to, SAR 4.1 million for Elm's inspection platform and other platforms and products in the amount of SAR 5.1 million.

c) Right-of-use assets

The following table summarizes right-of-use assets by company as at 31 December 2020G and 30 June 2021G:

Table (6-100): Right-of-Use Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	126,052	119,011	(5.6%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	5,406	4,225	(21.8%)
Elm Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**131,458**	**123,236**	**(6.3%)**
Consolidation adjustments	-	-	N/A
Total	**131,458**	**123,236**	**(6.3%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Right-of-use assets mainly relates to leased offices whose lease term exceeds 12 months. The balance relates to right-of-use operating leases in accordance with IFRS 16 in 2019G.

Elm

Net right-of-use assets decreased from SAR 126.0 million as at 31 December 2020G to SAR 119.0 million as at 30 June 2021G, mainly due to depreciation expenses during such period, which were SAR 14.9 million, while additions were SAR 7.8 million.

Saudi Company for Exchanging Digital Information (Tabadul)

Net right-of-use assets decreased from SAR 5.4 million as at 31 December 2020G to SAR 4.2 million as at 30 June 2021G, due to depreciation expenses during such period which amounted to SAR 1.2 million.

The following table summarizes right-of-use assets as at 31 December 2020G and 30 June 2021G:

Table (6-101): Right-of-Use Assets

SAR'000	Buildings and Land	Printers	Vehicles	Total
Balance as at 1 January 2020G	150,603	1,849	1,459	153,911
Acquisition proceeds	7,765	-	-	7,765
Additions during the year	7,428	-	-	7,428
Exhaustion	(35,515)	(627)	(1,459)	(37,646)
Balance as at 31 December 2020G	**(130,281)**	**1,177**	**-**	**131,458**
Acquisition proceeds	-	-	-	-
(Net) additions	7,847	-	-	7,847
Exhaustion	(15,736)	(333)	-	(16,069)
Balance as at 30 June 2021G	**122,392**	**844**	**-**	**123,236**

Source: Management information

Right-of-use assets mainly relate to leased buildings and land. The balance relates to right-of-use operating leases in accordance with IFRS 16 in 2019G. The application of such standard started on 1 January 2019G.

Net right-of-use assets decreased from SAR 131.5 million as at 31 December 2020G to SAR 123.2 million, mainly due to depreciation expenses during such period, which were SAR 16.1 million, while additions were SAR 7.8 million.

d) Intangible assets

The following table summarizes intangible assets as at 31 December 2020G and 30 June 2021G:

Table (6-102): Intangible Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	12,494	35,377	183.2%
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	70,484	70,926	0.6%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**82,978**	**106,303**	**28.1%**
Consolidation adjustments	-	-	N/A
Total	**82,978**	**106,303**	**28.1%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Net intangible assets decreased from SAR 12.5 million as at 31 December 2020G to SAR 35.4 million as at 30 June 2021G, mainly due to the transfer from capital work in progress and additions, as transfers and additions during such period amounted to SAR 24.5 million, while amortization during such period amounted to SAR 1.3 million.

Saudi Company for Exchanging Digital Information (Tabadul)

Total intangible assets increased from SAR 70.5 million as at 31 December 2020G to SAR 70.9 million as at 30 June 2021G, mainly due to the transfer from capital work in progress and additions amounting SAR 10.7 million, while amortization during such period amounted to SAR 10.3 million.

The following table summarizes the movement in intangible assets as at 31 December 2020G and 30 June 2021G:

Table (6-103): Intangible Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Cost			
Balance at the beginning of the year	131.831	345,056	161.7%
Acquisition cost	146,460	-	N/A
Transferred from construction works in progress	65,884	31,232	(52.6%)
Additions during the year/period	881	3,723	322.6%
Cost at the end of the year/period	345,056	380,011	10.1%
Accumulated amortization			
Balance at the beginning of the year	(113,154)	(262,078)	131.6%
Accumulated amortization resulting from acquisition	(123,089)	-	N/A
Amortization during the year/period	(25,835)	(11,631)	(55.0%)
Accumulated amortization at the end of the year/period	**(262,078)**	**(273,708)**	**4.4%**
Net book value at the end of the year/period	**82,978**	**106,303**	**28.1%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Intangible assets mainly consist of technology systems and platforms. They increased from SAR 83.0 million as at 31 December 2020G to SAR 106.3 million, mainly due to the transfer from capital work in progress.

Oher financial assets

The following table summarizes other financial assets as at 31 December 2020G and 30 June 2021G:

Table (6-104): Other Financial Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	32,020	27,492	(14.1%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	13,424	42.631	225%
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Subtotal	**45,444**	**71,123**	**54.3%**
Consolidation adjustments	-	-	N/A
Total	**45,444**	**70,123**	**54.3%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Other financial assets decreased from SAR 32.0 million as at 31 December 2020G to SAR 27.5 million as at 30 June 2021G, mainly due to the transfer of ownership of the investment in Zid Company to Future Resources Company (a subsidiary) (SAR -4.5 million), in addition to the additional investment in Bezaat Company (SAR 395 thousand), the increase in the fair value through profit or loss of the Group's investment in Zid Company (SAR +20.5 million), the additional investment (SAR 3.7 million) after the last equity round which took place in April 2021G, in addition to an additional investment in Bezaat Company (SAR +395 thousand).

Future Resources

Other financial assets increased from SAR 13.4 million as at 31 December 2020G to 42.6 SAR million as at 30 June 2021G, as the Company obtained an investment in Zid Company without return which was transferred from Elm Company (the parent company) (SAR +25.5 million). This amount represents (1) the value of the investment as at 31 December 2020G (SAR 4.9 million), and (2) the amount of investment revaluation gains through profit or loss (SAR 20.5 million). In addition to, the Company invested an additional amount (SAR 3.7 million) in Zid Company during such period.

The following table summarizes other financial assets as at 31 December 2020G and 30 June 2021G:

Table (6-105): Other Financial Assets as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Financial assets at fair value through profit or loss	23,141	11,969	(48.3%)
Financial assets at fair value through other comprehensive income	22,304	58,154	160.7%
Total	**45,444**	**70,123**	**54.3%**
Non-current	**45,444**	**70,123**	**54.3%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Other financial assets are related to investments in other companies held at fair value through other comprehensive income (FVTOCI) and profit and loss (FVTPL). The Group does not have an ownership interest that enables them to control any of these investments. Hence, they cannot be consolidated. Fair value through profit or loss relates to the financing arrangement of the simple agreement for future equity ("**SAFE**") where the Group has the right to convert the invested amount into an equity contribution in the future. Fair value through other comprehensive income represents strategic contribution investments since the Group owns shares in equity. The Group estimates the investments at fair value in accordance with IFRS 13 (Level 3 inputs).

The value of financial assets increased from SAR 45.4 million as at 31 December 2020G to SAR 70.1 million as at 30 June 2021G, mainly due to the increase in the fair value through profit or loss of the Group's investment in Zid Company (SAR +20.5 million) and the additional investment (SAR 3.7 million) after the last equity round which took place in April 2021G, in addition to an additional investment in Bezaat Company (SAR+395 thousand). It is worth noting that financial assets at fair value through profit or loss decreased from SAR 23.1 million as at 31 December 2020G to SAR 11.9 as at 30 June 2021G, due to the transfer of the investment in Zid and Foodics from financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss. This was due to the conversion of the financing arrangement of the simple agreement for future equity ("**SAFE**") into equity in these companies.

Financial assets at fair value through profit or loss

The following table summarizes financial assets at fair value through profit or loss by company as at 31 December 2020G and 30 June 2021G:

Table (6-106): Financial Assets at Fair Value Through Profit or Loss

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	10,682	5.759	(46.0%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	12,459	6,210	(50.1%)
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**23,141**	**11,969**	**(48.3%)**
Consolidation adjustments	-	-	N/A
Total	**23,141**	**11,969**	**(48.3%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The following table summarizes financial assets at fair value through profit or loss for the years ended 31 December 2020G and 30 June 2021G:

Table (6-107): Financial Assets at Fair Value Through Profit or Loss

SAR'000	Zid	Foodics	Sahl Al Madar	Smart National Solutions	Total
Balance as at 31 December 2020G	4,923	6,249	6,210	5,759	23,140
Additions during the period	-	-	-	-	-
Change in fair value during the period	20,533	-	-	-	20,533
Transfer to financial assets at fair value through other comprehensive income	(25,456)	(6,249)	-	-	(31,704)
Balance as at 30 June 2021G	**-**	**-**	**6,210**	**5,759**	**11,969**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Investments held at fair value through profit or loss (FVTPL):

Sahl Al Madar Investment: In 2020G, the Group entered into an investment agreement with Sahl Al Madar. The Group invested SAR 6.0 million, divided into two parts: (1) SAR 60 thousand as an equity investment and ownership of 30% of the Company (classified as an investment in an associate), and (2) an advance payment on future equity in the Company representing the remaining SAR 5.9 million. The activity of Sahl Al Madar is to direct goods transportation vehicles and freight forwarders. It is worth noting that the value of the investment did not change during the period.

Smart National Solutions: In 2020G, the Group entered into an investment agreement with Smart National Solutions. The Group invested SAR 4.9 divided into two parts: (1) SAR 49 thousand, by which the Group acquired 24% of the ownership (classified as an investment in an associate), and (2) an advance payment for future equity in the Company, covering the remaining amount of SAR 4.9 million. The main activities of the company include designing, programming, and maintaining special software, as well as designing websites. It is worth noting that the value of the investment did not change during the period.

e) Financial assets at fair value through other comprehensive income

The following table summarizes financial assets at fair value through other comprehensive income by company as at 31 December 2020G and 30 June 2021G:

Table (6-108): Financial Assets at Fair Value Through Other Comprehensive Income

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	21,339	21,733	1.8%
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	965	36.421	3,674%
Elm Digital Payments Company*	-	-	-
Umrah Premium Services Company	-	-	-
Subtotal	**22,304**	**58,154**	**160.7%**
Consolidation adjustments	-	-	N/A
Total	**22,304**	**58.154**	**160.7%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The following table summarizes financial assets at fair value through other comprehensive income for the years ended 31 December 2020G and 30 June 2021G:

Table (6-109): Financial Assets at Fair Value Through Other Comprehensive Income

SAR'000	Zid	Foodics	Syarah	Bezaat	Unifonic	HealthifyMe	Total
Balance as at 31 December 2020G	-	-	10,566	665	10,108	965	22,304
Transfer from financial assets at fair value through profit and loss	25,456	6,248	-	-	-	-	31,704
Additions during the period	3,751	-	-	395	-	-	4,146
Change in fair value during the period	-	-	-	-	-	-	-
Balance as at 30 June 2021G	**29,207**	**6,248**	**10,567**	**1,058**	**10,109**	**965**	**58,154**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Investments held in other comprehensive income (FVTOCI):

Zid: : Incorporated in accordance with the Commercial Companies Law in Abu Dhabi under Commercial Registration No. 000001640, the Company provides integrated technological solutions for the retail sector, where users can set up an electronic portal and specify payment and delivery methods for their customers through an electronic platform.

In 2019G, the Group invested SAR 3.8 million in Zid as a down payment for the right to purchase shares at a later date. The company is specialized in integrated technological solutions for the retail sector, where users can create an electronic portal and specify payment and delivery methods for their customers through an electronic platform. The increase occurred on 30 June 2021G, as a result of increase in the investment value by SAR 20.5 million which was driven by increase in the share price by 5.7 of the initial investment value after the equity round held in April 2021G,.In addition to, additional investments amounting to SAR 3.7 million.

Foodics: established under the BVI Business Companies Act under Commercial Registration No. 1941071. The Company provides a unified cloud platform for managing restaurant services, enabling a restaurant to manage its sales and receive digital payments.

In 2020G, the Group invested a total of SAR 5.0 million in Foodics as a down payment for the right to purchase shares at a later stage. It is worth noting that the value of the investment did not change during the period.

Syarah: established under the BVI Business Companies Act under Commercial Registration No. 1924624. The Company provides many services for car buyers and sellers through the "**Syarah Online**" platform, which is an integrated shopping platform that provides its customers with financing, marketing services, summary reports, and other services.

In 2019G, the Group invested in Syarah (SAR 5.0 million), and the invested amount represents 10% of the total shares paid. Syarah provides many services for car buyers and sellers through the "**Syarah Online**" platform, which is an integrated shopping centre platform that provides its customers with financing, marketing services, summary reports, and more. It is worth noting that the value of the investment did not change during the period.

Bezaat: established under the Cayman Islands Commercial Companies Act. The Company provides insurance solutions, as users can compare and choose the optimal option according to their requirements through the Bezaat platform. To add, through its platform the Company provides human resources systems and safe automation.

The Group initially invested a total amount of SAR 5.0 million in 2019G, representing 1.7% of the total ownership of the outstanding preferred shares, and then invested an additional amount of SAR 395 thousand in 2020G, bringing the balance to SAR 1.1 million as at 30 June 2021G. Bezaat is a start-up that works in human resources and insurance and helps human resources departments at small- and medium-sized companies in purchasing medical insurance policies.

Unifonic: established under the BVI Business Companies Act under Commercial Registration No. 1887019. The Company provides the latest technology to develop robust communications by adopting a secure API defined by text messages, voice calls, two-factor authentication, and number checking to ensure reliable communication channels between companies and customers.

In 2018G, the Group invested SAR 4.7 million in Unifonic for 1.2% of the share ownership. Unifonic provides the latest technologies to develop robust communications by adopting two-factor authentication and number checking to ensure reliable communication channels between companies and customers. It is worth noting that the value of the investment did not change during the period.

HealthifyMe: In 2020G, the Group invested SAR 5.0 million in HealthifyMe for 1.4% of the share ownership. The company provides a smart phone application that helps users track their sports activity and diet and connects them with a nutrition specialist or artificial intelligence specialist and a fitness specialist. It is worth noting that the value of the investment did not change during the period.

Investments in associates

The following table summarizes the balance of investments in associates by company as at 31 December 2020G and 30 June 2021G:

Table (6-110): Investments in Associates by Company as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	416,881	397,447	(4.7%)
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	150	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**416,881**	**397,597**	**(4.6%)**
Consolidation adjustments	(416,668)	(397,216)	(4.7%)
Total	**213**	**381**	**79.3%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The following table summarizes investments in associates as at 31 December 2020G and 30 June 2021G:

Table (6-111): Investments in Associates

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Sahl Al Madar	-	-	N/A
Dal Company	-	150	N/A
Smart National Solutions	213	231	8.5%
Total	**213**	**381**	**79.3%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Investments in associates mainly relate to a 30% stake in Sahl Al Madar, a 24% stake in Smart National Solutions for Information Systems Technology and a 30% stake in Dal Company.

Current assets:

a) Accounts receivable

The following table summarizes the net accounts receivable by company as at 31 December 2020G and 30 June 2021G:

Table (6-112): Accounts Receivable by Company as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	1,310,114	1,712,874	30.7%
Emdad Al Khebrat	28,428	43,132	51.7%
Saudi Company for Exchanging Digital Information (Tabadul)	31,954	40,532	26.8%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**1,370,496**	**1,796,538**	**31.1%**
Consolidation adjustments	-	-	N/A
Total	**1,370,496**	**1,796,538**	**31.1%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Net accounts receivable increased from SAR 1,310.1 million as at 31 December 2020G to SAR 1,712.9 million as at 30 June 2021G, mainly due to the growth in the Group's business volume.

Emdad Al Khebrat

Net accounts receivable increased from SAR 28.4 million as at 31 December 2020G to SAR 43.1 million as at 30 June 2021G, mainly due to the growth in the Group's business volume. It is worth mentioning that in Emdad Al Khebrat's financial statements, the amounts due from the Public Investment Fund are presented as part of the due from Related Parties item, while the amount is displayed within the accounts receivable in the Group's consolidated financial statements.

Saudi Company for Exchanging Digital Information (Tabadul)

Net accounts receivable increased from SAR 31.9 million as of 31 December 2020G to SAR 40.5 million as at 30 June 2021G.

The following table summarizes accounts receivable as at 31 December 2020G and 30 June 2021G:

Table (6-113): Accounts Receivable as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Government receivables	1,079,623	1,454,899	34.8%
Trade receivables	475,419	579,474	21.9%
Total accounts receivable	1,555,042	2,034,373	30.8%
Expected Credit Losses (ECL) provision	(184,546)	(237,835)	28.9%
Net trade receivables	**1,370,496**	**1,796,538**	**31.1%**
Average collection period (government accounts receivable)*	237	192	(19.0%)
Average collection period (commercial accounts receivable)*	181	158	(12.7%)
Average collection period (total)	**188**	**180**	**(4.3%)**

* The average collection period for government and commercial accounts receivable is calculated on the total receivables and not on the net amount

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

The following table shows accounts receivable ageing as at June 2021G:

Table (6-114): Outstanding Accounts Receivable Ageing

SAR'000	0–90 Days	91–180 Days	181– 365 days	365 days and Above	Total Accounts Receivable as at 30 June 2021G Unaudited
Government receivables	588,685	47,142	244,761	574.311	1,454,899
Trade receivables	259,319	74,717	92,129	153,309	579,474
Total accounts receivable	**848,004**	**121,859**	**336,890**	**727,620**	**2,034,373**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Accounts receivable balances represent services and projects for which performance obligations have been fulfilled and invoices have been issued. They represent the balance of government sector customers (72%) and private sector customers (about 28%).

Total accounts receivable increased from SAR 1,555 million as at 31 December 2020G to SAR 2,034.4 million as at 30 June 2021G, with about 71.5% of total commercial accounts receivable related to products and projects with government entities.

Government accounts receivable increased from SAR1,079.6 million as at 31 December 2020G to SAR 1,455 million as at 30 June 2021G, in line with the increase in revenues from government entities. The number of projects carried out with government agencies and ministries, including the Ministry of Health have increased. The balance of accounts receivable from the Ministry of Health amounted to SAR 172.9 million as at 30 June 2021G (SAR +126.8 million). The balance of accounts receivables from Ministry of Finance amounted to SAR 113.9 million as at 30 June 2021G (SAR +69.8 million).

Accounts receivable for private sector customers increased from SAR 475.4 million as at 31 December 2020G to SAR 579.5 million as at 30 June 2021G, due to the increase in the number of contracts entered into with private companies during the same period, mainly driven by the signing of new contracts with Al Rajhi Bank as its balance of accounts receivable amounted to SAR 46.0 million as at 30 June 2021G (SAR +19.4 million). The balance of accounts receivable from the General Housing Authority amounted to SAR 41.3 million as at 30 June 2021G (SAR +27.0 million). The balance of accounts receivable from Al Rajhi Takaful amounted to SAR 19.5 million as at 30 June 2021G (SAR +12.8 million).

The following table summarizes the movement in the provision for expected credit losses for accounts receivable as at 31 December 2020G and 30 June 2021G:

Movement in the Provision for Expected Credit Losses for Accounts Receivable

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Balance at the beginning of the year	174,521	184,546	5.7%
Impact of the application of IFRS 9	-	-	N/A
Acquisition proceeds	1,979	-	N/A
Provision made during the year	8,046	53,289	562.3%
Reversal of provision during the year	-	-	N/A
Balance at the end of the year	**184,546**	**237,835**	**28.9%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

The Group uses forward-looking information based on assumptions about the future drivers of various economic factors and how these drivers affect each other. The Group uses estimates to calculate loss ratios and based on management's discretioncreates a provision for additional expected credit loss for specific cases.

The provision for credit loss increased from SAR 184.5 million as at 31 December 2020G to SAR 237.8 million as at 31 June 2021G, in line with the increase in revenues and the aging of balances. However, as a percentage of revenue, the percentage decreased from 11.9% to 11.7% during the period, although the life of around 35.8% (SAR 727.6 million) of the total receivables exceeds one year.

b) Contract assets

The following table summarizes net contract assets by company as at 31 December 2020G and 30 June 2021G:

Table (6-115): Contract Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	269,075	537,603	.99%
Emdad Al Khebrat	52	1,503	2,771.7%
Saudi Company for Exchanging Digital Information (Tabadul)	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**269,127**	**539,106**	**100.3%**
Consolidation adjustments	-	-	N/A
Total	**269,127**	**539,106**	**100.3%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Net contract assets increased from SAR 269.1 million on 31 December 2020G to SAR 537.6 million as at 30 June 2021G, primarily due to a new project to manage and operate centres for a government entity in November 2020G, which has not been billed yet.

Emdad Al Khebrat

Net contract assets amounted to SAR 52 thousand on 31 December 2020G and rose to SAR 1.5 million, primarily due to works implemented for a government entity.

The following table summarizes contract assets as at 31 December 2020G and 30 June 2021G:

Table (6-116): Contract Assets

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Government receivables	303,722	553,088	82.1%
Trade receivables	25,459	50,073	96.7%
Total contract assets	**329,181**	**603,161**	**83.2%**
Expected Credit Losses (ECL) provision	(60,054)	(64,055)	6.7%
Net contract assets	**269,127**	**539,106**	**100.3%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Contract assets represent the value of works executed by the Group for projects that have not completed their billing stage.

Contract assets are primarily concentrated in the government sector, as 92% of the contract assets as at 30 June 2021G were related to projects with government entities. Contract assets grew from SAR 303.7 million as at 31 December 2020G to SAR 533.1 million as at 30 June 2020G, primarily due to a new project to manage and operate centres for a government entity in November 2020G, which has not been billed yet.

The following table summarizes the movement in the provision for expected credit losses for contract assets as at 31 December 2020G and 30 June 2021G:

Table (6-117): Movement in the Provision for Expected Credit Losses

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Balance at the beginning of the year	33,307	60,054	80.3%
Provision made during the year	26,747	4,001	(85.0%)
Balance at the end of the year	**60,054**	**64,055**	**6.7%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

The Group uses forward-looking information based on assumptions about the future drivers of various economic factors and how these drivers affect each other. The Group uses estimates to calculate loss ratios and based on management's discretioncreates a provision for additional expected credit loss for specific cases.

The provision for expected credit losses against the value of government contract assets is adopted on a case-by-case basis, and the management determines the balances that need a specific reduction or write-off. Nevertheless, for the provision for expected credit losses against private contract assets.

The total provision for estimated credit losses grew from SAR 60.0 million as at 31 December 2020G to SAR 64.1 million as at 30 June 2021G, in line with the increase in revenues and the age of balances. However, as a percentage of revenue, the percentage dropped from 18.2% to 10.7% during the period, although the life of around 19.6% (SAR 118.4 million) of the total contract assets exceeds one year.

c) Prepaid expenses and other accounts receivable

The following table summarizes prepaid expenses by company for the financial years ended 31 December 2020G and 30 June 2021G:

Table (6-118): Prepaid Expenses

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	70,464	98,750	40.1%
Emdad Al Khebrat	10,700	3,630	(66.1%)
Saudi Company for Exchanging Digital Information (Tabadul)	10,424	15,824	51.8%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**91,588**	**118,204**	**29.1%**
Consolidation adjustments	-	-	N/A
Total	**91,588**	**118,204**	**29.1%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Total prepaid expenses increased from SAR 70.5 million as at 31 December 2020G to SAR 98.8 million as at 30 June 2021G, primarily due to the increase in total deferred costs related to a data and information resources development agreement (SAR +26.4 million). On the other hand, insurance and prepaid rent expenses decreased due to the expiry of the Company's insurance policy at the end of the first half of 2021G (SAR -6.1 million).

Emdad Al Khebrat

Total prepaid expenses decreased from SAR 10.7 million as at 31 December 2020G to SAR 3.4 million as at 30 June 2021G, due to the decrease in insurance and prepaid rent expenses due to the expiry of the Company's insurance policy at the end of the first half of 2021G (-8.9 million). On the other hand, there was an increase in other items related to bank guarantee letters pertaining to the Company's projects (SAR +0.9 million).

Saudi Company for Exchanging Digital Information (Tabadul)

Total prepaid expenses grew from SAR 10.4 million as at 31 December 2020G to SAR 15.8 million as at 30 June 2021G, primarily due to the increase in prepayments to suppliers (SAR +2.6 million) in addition to the increase in the VAT amount (SAR +4.0 million).

The following table summarizes prepaid expenses and other receivables as at 31 December 2020G and 30 June 2021G:

Table (6-119): Prepaid Expenses and Other Receivables

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Prepaid security deposits and rent	30,180	13,693	(54.6%)
Deferred costs	24,330	52,301	115.0%
Employee advances	19,184	16,901	(11.9%)
Advance payments to suppliers	3,732	4,624	23.9%
Interest receivable on bank deposits	909	2,776	205.4%
VAT	11,670	17,805	52.6%
Other	1,583	10,104	538.3%
Total	**91,588**	**118,204**	**29.1%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Prepaid security deposits and rent

This primarily includes advance payments made for licenses, insurance, rent, and other prepaid expenditures. Prepaid expenses dropped from SAR 30.2 million on 31 December 2020G to SAR 13.7 million on 30 June 2021G, primarily due to the expiry of the insurance policy of the Company and Emdad, which resulted in a decrease by SAR 18.1 million. On the other hand, there was a slight increase in rent expenses.

Deferred costs

These mainly relate to costs of projects/products which have been incurred, but the obligations to the clients have not been fulfilled. Deferred costs increased from SAR 24.3 million on 31 December 2020G to SAR 52.3 million on 30 June 2021G, primarily due to the data and information resources development agreement.

Employee advances

These decreased from SAR 19.2 million on 31 December 2020G to SAR 16.9 million on 30 June 2021G, due to the decrease in employee loans (SAR -1.1 million), and the decrease in employee medical insurance benefits (SAR -1.2 million).

Advance payments to suppliers

Prepayments to suppliers grew slightly from SAR 3.7 million on 31 December 2020G to SAR 4.6 million on 30 June 2021G.

Interest receivable on bank deposits

These mainly relate to the interest receivable on short-term deposits. The variations during the period primarily relate to the due date of the deposit, along with the principal deposit amount.

VAT

VAT grew from SAR 11.7 million as at 31 December 2020G to SAR 17.8 million as at 30 June 2021G.

Other

This includes letters of guarantee and other receivables. These grew from SAR 1.6 million on 31 December 2020G to SAR 10.1 million, including a sum of SAR 7.7 million due from the developer of the Group's main building as a result of a legal dispute with Elm, in which the Company won and is expected to be recovered.

Bank deposits

The following table summarizes bank deposits by company as at 31 December 2020G and 30 June 2021G:

Table (6-120): Bank Deposits

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	537.968	573,536	6.6%
Emdad Al Khebrat	-	-	N/A
Tabadul	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**537.968**	**573,536**	**6.6%**
Consolidation adjustments	-	-	N/A
Total	**537.968**	**573,536**	**6.6%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Bank deposits primarily include term deposits with local banks whose maturity periods range between three months and one year. As such, the interest rate for each term deposit varies depending on the term, the amount, and the bank. Bank deposits grew from SAR 538.0 million as at 31 December 2020G to SAR 573.5 million as at 30 June 2021G.

d) Cash and cash equivalents

The following table summarizes the cash and cash equivalents balance by company as at 31 December 2020G and 30 June 2021G:

Table (6-121): Cash and Cash Equivalents

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	530,462	352.409	(33.6%)
Emdad Al Khebrat	13,162	9,789	(25.6%)
Saudi Company for Exchanging Digital Information (Tabadul)	469,144	437,882	(6.7%)
Elm Technical Investment Company	500	500	0.0%
Future Resources	50	50	0.0%
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	500	N/A
Subtotal	**1,013,318**	**801,130**	**(20.9%)**
Consolidation adjustments	-	-	N/A
Total	**1,013,318**	**801,130**	**(20.9%)**

* Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

The total cash and cash equivalents balance decreased from SAR 530.5 million as at 31 December 2020G to SAR 353.4 million as at 30 June 2021G, in line with the decrease in cash flow arising from working capital for the six-month period 30 June 2021G.

Emdad Al Khebrat

The total cash and cash equivalents balance decreased from SAR 13.2 million as at 31 December 2020G to SAR 9.8 million as at 30 June 2021G, in line with the decrease in the cash flow arising from working capital for the six-month period 30 June 2021G, mainly due to the increase in dues from Related Parties.

Saudi Company for Exchanging Digital Information (Tabadul)

Tabadul was acquired in 2020G. The total cash and cash equivalents balance decreased from SAR 469.1 million as at 31 December 2020G to SAR 437.9 million as at 30 June 2021G, in line with the increase in cash outflow used in investment activities for the six-month period 30 June 2021G, mainly due to additions to capital work-in-progress.

Elm Technical Investment Company

The total cash and cash equivalents balances were stable at SAR 500 thousand as at 31 December 2020G and 30 June 2021G, which represents the capital deposited therein.

Future Resources

The total cash and cash equivalents balances were stable at SAR 50 thousand as at 31 December 2020G and 30 June 2021G, which represents the capital deposited therein.

Umrah Premium Services Company

Cash and cash equivalents balances amounted to SAR 500 thousand as at 31 June 2021G.

The following table summarizes cash and cash equivalents balances for the financial years ended 31 December 2020G and 30 June 2021G:

Table (6-122): Cash and Cash Equivalents

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Cash at banks	247,918	509,094	105.3%
Short-term Murabaha deposits	765,400	292,036	(61.8%)
Total	**1,013,318**	**801,130**	**(20.9%)**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Cash and cash equivalents balances decreased during the period, from SAR 1.0 billion on 31 December 2020G to SAR 801.1 million on 30 June 2021G, due to cash outflows arising from the operating activities (SAR 69.6 million), including the payment of Zakat (SAR 44.0 million), investment activities (SAR 83.0 million) used to purchase fixed assets, additions to capital work-in-progress and bank deposits, and financing activities (SAR 59.6 million) used to settle lease and capital lease liabilities and the Public Investment Fund loan.

Non-current liabilities:

a) Employee defined benefit liabilities

The following table summarizes the provision for employee end-of-service benefits by company as at 31 December 2020G and 30 June 2021G:

Table (6-123): Employee Defined Benefit Liabilities

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	197,814	206,677	4.5%
Emdad Al Khebrat	20,784	24,593	18.3%
Saudi Company for Exchanging Digital Information (Tabadul)	9,523	10,618	11.5%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**228,121**	**241,889**	**6.0%**
Consolidation adjustments	-	-	N/A
Total	**228,121**	**241,889**	**6.0%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

The total provision for employee end-of-service benefits rose from SAR 197.8 million as at 31 December 2020G to SAR 206.7 million as at 30 June 2021G, due to the expense of the present service cost pertaining to the period.

Emdad Al Khebrat

The total provision for employee end-of-service benefits grew from SAR 20.8 million as at 31 December 2020G to SAR 24.6 million as at 30 June 2021G, due to the expense of the present service cost pertaining to the period.

Saudi Company for Exchanging Digital Information (Tabadul)

Total provision for employee end-of-service benefits grew from SAR 9.5 million as at 31 December 2020G to SAR 10.6 million as at 30 June 2021G, due to the expense of the present service cost pertaining to the period.

The following table summarizes the total provision for employee end-of-service benefits for the financial years ended 31 December 2020G and 30 June 2021G:

Table (6-124): Employee Defined Benefit Liabilities

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Opening balance - the present value of the employee end-of-service provision	184,382	228,121	23.7%
Value resulting from the acquisition	8,080	-	N/A
Present service cost	42,670	21,668	(49.2%)
Present service financing cost	6,859	2,409	(46.9%)
Costs transferred to works under construction	(928)	(219)	(76.4%)
Benefits paid	(12,682)	(10,090)	(20.4%)
Actuarial (gains)/losses arising from the liability	(260)	-	N/A
Present value of the employee end-of-service provision	**228,121**	**241,889**	**6.0%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Sensitivity analysis of actuarial assumptions

Table (6-125): Sensitivity Analysis of Actuarial Assumptions

SAR'000	31 December 2020G Audited	
	Increase	Decrease
Discount rate (change by 1%)	(21,660)	25,726
Salary increase rate (change by 1%)	25,901	(22,220)
Mortality rate (change by 10%)	(41)	41
Employee turnover rate (change by 10%)	(2,759)	2,970

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

As at 30 June 2021G, the Company has not conducted an actuarial study, as it performs the actuarial study at the end of the year only.

The defined benefits liability is calculated on an annual basis by qualified actuarial experts using the projected credit unit method. In which remeasured sums, if any, are recognised and declared within equity section in the statement of changes in equity rights, and the corresponding increase or decrease is carried in other comprehensive income, which consists of actuarial gains and losses arising from the defined benefits liability.

The provision for employee end-of-service benefits grew from SAR 228.1 million as at 31 December 2020G to SAR 241.9 million as at 30 June 2021G, due to the expense of the present service cost recognised during the period.

Current liabilities:

Payables

The following table summarizes payables by company as at 31 December 2020G and 30 June 2021G:

Table (6-126): Payables by Company as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	208,006	343,615	65.2%
Emdad Al Khebrat	5,921	3,830	(35.3%)
Tabadul	12,785	19,702	54.1%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**226.712**	**367,147**	**61.9%**
Consolidation adjustments	-	-	N/A
Total	**226.712**	**367,147**	**61.9%**

* Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Trade payables primarily relate to suppliers that supply operational works to the Group.

Trade payables grew from SAR 226.7 million as at 31 December 2020G to SAR 367.1 million as at 30 June 2021G, primarily driven by the increase in VAT paid to the Zakat, Tax, and Customs Authority (SAR +35.5 million) and other payables (SAR +57.5 million).

Contract liabilities

The following table summarizes contract liabilities by company as at 31 December 2020G and 30 June 2021G:

Table (6-127): Contract Liabilities by Company as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	227,283	198,884	(12.5%)
Emdad Al Khebrat	-	629	N/A
Tabadul	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**227,283**	**199,513**	**(12.2%)**
Consolidation adjustments	-	-	N/A
Total	**227,283**	**199,513**	**(12.2%)**

* Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Contract liabilities relate to deferred revenues with the cash received in advance for annual product subscriptions. Upon collection, deferred revenues are recorded and the revenue is recognised throughout the subscription period. Contract liabilities decreased from SAR 227.3 million as at 31 December 2020G to SAR 199.5 million as at 30 June 2021G, primarily driven by the decrease in deferred revenues pertaining to Absher annual subscriptions.

b) Accrued expenses and other liabilities

The following table summarizes accrued expenses and other liabilities by company as at 31 December 2020G and 30 June 2021G:

Table (6-128): Payable Expenses and Other Liabilities

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	538,539	731,282	35.8%
Emdad Al Khebrat	27,977	42,259	51.0%
Saudi Company for Exchanging Digital Information (Tabadul)	224,843	252,462	12.3%
Elm Technical Investment Company	-	-	N/A
Future Resources	-	150	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**791,359**	**1,026,153**	**29.7%**
Consolidation adjustments	-	(27,900)	N/A
Total	**791,359**	**998,253**	**29.7%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Total accrued expenses and other liabilities increased from SAR 538.5 million as at 31 December 2020G to SAR 731.3 million as at 30 June 2021G, primarily due to the increase in the dues of income-sharing projects (SAR +127.0 million), and the increase in contract costs due to the expansion of the Group's business (SAR +101 million).

Emdad Al Khebrat

Total accrued expenses and other liabilities rose from SAR 28.0 million as at 31 December 2020G to SAR 42.3 million as at 30 June 2021G, primarily due to the increase in the dues to employees (SAR +12.0 million).

Saudi Company for Exchanging Digital Information (Tabadul)

Total accrued expenses and other liabilities rose from SAR 224.8 million as at 31 December 2020G to SAR 252.5 million as at 30 June 2021G.

The following table summarizes total accrued expenses and other liabilities as at 31 December 2020G and 30 June 2021G:

Table (6-129): Payable Expenses and Other Liabilities

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Contract costs	337,262	408,518	21.1%
Employee benefits	187,541	160,639	(14.3%)
Income-sharing projects	121,158	276,109	129.9%
Advance payments from clients	88,794	92,760	4.5%
Marketing and selling commissions	23,614	26,815	13.6%
Retention payable	10,346	9,446	(8.7%)
Unpaid dividends	-	-	N/A
Legal provisions	15,581	15,851	0.0%

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Other	6,792	8,115	3.6%
Total	**791,358**	**998,253**	**26.1%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Contract costs

Contract costs primarily relate to the cost incurred on the Group's projects during performance of the required services by suppliers, which has not been billed yet. Such dues are generally estimated by the management throughout the project term, and they are reversed/adjusted when they are billed by the supplier.

The contract cost increased from SAR 337.3 million as at 31 December 2020G to SAR 409.1 million as at 30 June 2021G, as a result of the continuous growth of operations.

Employee benefits

These mainly consist of accumulated employee costs (annual leave, salaries, sale incentives, social security, medical insurance, etc.). Dues to employees decreased from SAR 187.5 million as at 31 December 2020G to SAR 160.6 million as at 30 June 2021G, because the Company issued the employee annual compensation expense for the year 2020G during the second quarter of 2021G.

Income-sharing projects

Dues of income-sharing projects relate to income-sharing or profit-sharing agreements. Dues of income-sharing projects increased from SAR 120.1 million as at 31 December 2020G to SAR 276.1 million as at 30 June 2021G, due to a profit-sharing agreement concluded with a government entity (SAR +120.7 million) in addition to an income-sharing agreement concluded with two entities (SAR +28.7 million).

Advance payments from clients

Prepayments from clients increased and remained relatively stable, from SAR 88.8 million as at 31 December 2020G to SAR 92.8 million as at 30 June 2021G, due to the increase in the balances of prepaid subscriptions not used by clients.

Marketing and selling commissions

These primarily relate to employee sales incentives. The increase from SAR 23.6 million as at 31 December 2020G to SAR 26.8 million as at 30 June 2021G is attributable to the increase of sales during the same period.

Retention payable

retention payable amounts usually relate to 10% of the purchase order amount retained by the Group against certain suppliers to guarantee proper satisfaction of the conditions agreed upon. the amounts decreased from SAR 10.3 million as at 31 December 2020G to SAR 9.4 million as at 30 June 2021G, due to the disbursement to a supplier during the same period.

Legal provisions

Legal provisions mainly relate to provisions created for lawsuits related to Tabadul. Legal reserves remained stable at SAR 15.9 million as at 31 December 2020G and 30 June 2021G.

Other

Other dues mainly relate to the accrued payable operational expenditures, payable customs duties, and outsourcing costs, among other items. Accrued expenses and other liabilities grew from SAR 7.8 million as at 31 December 2020G to SAR 8.1 million as at 30 June 2021G.

Transactions with Related Parties

Dues to Related Parties

The following table summarizes dues to Related Parties by company as at 31 December 2020G and 30 June 2021G:

Table (6-130): Dues to Related Parties

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	10,119	226,696	2,140.3%
Emdad Al Khebrat	-	-	N/A
Saudi Company for Exchanging Digital Information (Tabadul)	13,986	-	N/A
Elm Technical Investment Company	16.131	-	N/A
Future Resources	16.024	16,025	N/A
Elm Digital Payments Company*	30	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**56.290**	**242,721**	**331.2%**
Consolidation adjustments	(32,185)	(234,474)	628.5%
Total	**24,105**	**8,247**	**(65.8%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Elm

Total dues to Related Parties amounted to SAR 226.7 million as at 30 June 2021G, and primarily relate to payables to Unifonic (SAR 5.5 million), Smart National Solutions (SAR 772 thousand), and dividends payable(SAR 2.0 million).

Saudi Company for Exchanging Digital Information (Tabadul)

Tabadul was acquired in 2020G. Total dues to Related Parties amounted to SAR 14.0 million as at 31 December 2020G, and primarily relate to payables to the Public Investment Fund. The Company did not recognise dues to Related Parties on 30 June 2021G.

The following table summarizes total dues to related parties as at 31 December 2020G and 30 June 2021G:

Table (6-131): Dues to Related Parties

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Loan from the Public Investment Fund	13,896	-	N/A
Unifonic	8,093	5,488	(32.2%)
Smart National Solutions	129	772	498.4%
Dividends payable	1,987	1,987	0.0%
Total	**24,105**	**8,247**	**(65.8%)**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Dues to Related Parties grew from SAR 24.1 million as at 31 December 2020G to SAR 8.2 million as at 30 June 2021G, and primarily relate to payables to Unifonic (SAR 5.5 million), Smart National Solutions (SAR 772 thousand), and payable dividends (SAR 2.0 million).

Transactions with Related Parties

Table (6-132): Transactions with Related Parties

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Balances with Related Parties			
Due from Related Parties listed within trade receivables	24,290	40,399	66.3%
End-of-service benefits for senior management	12,252	1,781	(85.5%)
Loan from the Public Investment Fund	13,896	-	N/A
Due to Unifonic	8,093	5,488	(32.2%)
Due to Smart National Solutions	130	772	493.8%
Dividends payable	1,987	1,987	0.0%

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Related Parties consist of the Group's shareholder, associate and sister companies, the Group's managers, employees, and senior management employees. The terms and conditions of such transactions are approved by the Group's management. Typically, the Group conducts transactions with Related Parties, including transactions with the Public Investment Fund, Board members, executive managers, and other companies owned by the Public Investment Fund or the Board members of those companies. All these transactions are carried out under the terms approved by the Group's management.

Dues from Related Parties listed within trade receivables amounted to SAR 40.4 million as at 30 June 2021G, dues to Unifonic amounted to SAR 5.5 million as at 30 June 2021G, dues to Smart National Solutions amounted to SAR 772 thousand, and payable dividends amounted to SAR 1.9 million as at 30 June 2021G.

Zakat

The following table summarizes Zakat by company as at 31 December 2020G and 30 June 2021G:

Table (6-133): Zakat by Company as at 31 December 2020G and 30 June 2021G

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	52,897	56,462	6.7%
Emdad Al Khebrat	5,142	3,690	(28.2%)
Tabadul	7,588	4,636	(38.9%)
Elm Technical Investment Company	11	-	N/A
Future Resources	39	-	N/A
Elm Digital Payments Company*	13	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**65,690**	**64,788**	**(1.4%)**
Consolidation adjustments	-	-	N/A
Total	**65,690**	**64,788**	**(1.4%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

With reference to Royal Order No. 35257 dated 29/06/1442H, the General Authority for Zakat & Tax collects Zakat from the companies fully owned, directly or indirectly, by the Public Investment Fund. However, companies' resident in the Kingdom of Saudi Arabia which are fully owned by the Public Investment Fund are not subject to Zakat for the financial years ended 31 December 2019G. The Group submitted the Zakat declarations and received a settlement letter from the Zakat, Tax and Customs Authority up to the end of the financial year ended 31 December 2020G, which expired on 30 April 2021G. The Group has not received a Zakat assessment for the past years up to 31 December 2020G. Accordingly, the Group recognised Zakat payable in the amount of SAR 65.7 million as at 31 December 2020G.

Zakat decreased to SAR 64.8 million as at 30 June 2021G, driven by the Zakat payable for the period from the beginning of the year up to June 2021G, amounting to SAR +43.1 million, which was offset by a payment made by the Group that amounted to (SAR -44.0 million).

Capital lease liabilities (current and non-current)

The following table summarizes real estate purchase liabilities (current and non-current) by company as at 31 December 2020G and 30 June 2021G:

Table (6-134): Capital lease Liabilities (Current and Non-Current)

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	97,752	74,256	(24.0%)
Emdad Al Khebrat	-	-	N/A
Tabadul	-	-	N/A
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**97,752**	**74,256**	**(24.0%)**
Consolidation adjustments	-	-	N/A
Total	**97,752**	**74,256**	**(24.0%)**

* Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Capital Lease Liability relate to the Company's head office, which was purchased under scheduled instalments.

Capital lease liability decreased from SAR 97.7 million as at 31 December 2020G to SAR 74.3 million as at 30 June 2021G, due to the amortisation of the balance during the same period.

Lease liabilities (current and non-current)

The following table summarizes lease liabilities (current and non-current) by company as at 31 December 2020G and 30 June 2021G:

Table (6-135): Lease Liabilities (Current and Non-Current)

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	125,125	115,957	(7.3%)
Emdad Al Khebrat	-	-	N/A
Tabadul	4,778	3,556	(25.6%)
Elm Technical Investment Company	-	-	N/A
Future Resources	-	-	N/A
Elm Digital Payments Company*	-	-	N/A
Umrah Premium Services Company	-	-	N/A
Subtotal	**129,903**	**119,513**	**(8.0%)**
Consolidation adjustments	-	-	N/A
Total	**129,903**	**119,513**	**(8.0%)**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

Lease liabilities decreased from SAR 129.9 million as at 31 December 2020G to SAR 119.5 million as at 30 June 2021G, due to the decrease in the balance during the same period.

Equity

The following table summarizes equity by company as at 31 December 2020G and 30 June 2021G:

Table (6-136): Equity

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Elm	2,240,118	2,519,138	12.5%
Emdad Al Khebrat	167,225	201,326	20.4%
Tabadul	397,202	364,805	(8.2%)
Elm Technical Investment Company	1,858	1,858	0.0%
Future Resources	(2,589)	26.617	1,128%
Elm Digital Payments Company*	457	-	N/A
Umrah Premium Services Company	-	500	N/A
Subtotal	**2,804,271**	**3,114,244**	**11.1%**
Consolidation adjustments	(570,335)	(601,289)	(5.4%)
Total	**2,233,936**	**2,512,955**	**12.5%**

*Elm Digital Payments was liquidated on 1 June 2021G

Source: Management information

The following table summarizes total equity as at 31 December 2020G and 30 June 2021G:

Table (6-137): Equity

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Issued and paid up capital	50,000	500,000	900.0%
Proposed capital increase	450,000	300,000	(33.3%)
Statutory reserve	25,000	25,000	0.0%
Other reserves	(35,371)	(35,371)	0.0%
Retained earnings	1,744,307	1,723,326	(1.2%)
Total	**2,233,936**	**2,512,955**	**12.5%**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Issued and paid up capital

In 2020, the General Assembly approved the proposed increase of capital by SAR 450.0 million by transferring SAR 33.3 million of the retained earnings and SAR 416.7 million resulting from the acquisition of Tabadul. The formal capital increase procedures were completed during the first quarter of 2021G, and SAR 450.0 million has been transferred to the Group's share capital, increasing the capital from SAR 50 million as at 31 December 2020G to SAR 500 million as at 30 June 2021G, consisting of 50 million shares at a nominal value of SAR 10 per share.

Proposed capital increase

On 20 June 2021G, the General Assembly further approved the proposed increase of capital through the transfer of SAR 300.0 million from retained earnings by issuing 30 million new shares at a nominal value of SAR 10 per share. The formal capital increase procedures were completed on 1 July 2021G.

Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, the Company must transfer 10% of the year's net profit to the statutory reserve. Pursuant to the Company's By-laws, the Company may decide to discontinue such transfers when the total reserve reaches 30% of the capital. The statutory reserve is not distributable.

Other reserves

Other reserves mainly relate to profits/losses of the re-evaluation of other financial assets and employee end-of-service benefits, as these accounts affect the Group's other comprehensive income. Other reserves suffered a deficit of SAR 35.4 million as at 30 June 2021G.

Retained earnings

Retained earnings consist of the accumulated net profit after deducting dividends and the amounts transferred to the reserves. Retained earnings decreased from SAR 1,744.3 million as at 31 December 2020G to SAR 1,723.3 million as at 30 June 2020G, after transferring SAR 300 million from the retained earnings to the proposed capital increase. This was partially compensated for by the net profit of the six-month period ended 30 June 2021G which amounted to SAR 279.0 million.

The following table presents a summary of the dividends issued by the Company as at 31 December 2020G:

Table (6-138): Cash Dividends During the Financial Years Ended 2018G, 2019G, and 2020G

SAR million	FY 2020G
Net income	306,579
Dividends declared during the period	-
Dividendsdistributed during the period	-
Ratio of declared dividends to net income	0.0%

Source: Management information

6-7-1-3 Cash flow statement

Table (6-139): Cash Flow Statement

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited
Operating activities		
Net income for the period before Zakat	26,653	322,071
Adjustments to non-cash items:		
Depreciation and amortisation	53,564	53,234
Expected Credit Losses (ECL) provision	-	57,277
Losses from disposal of property and equipment	1	(663)
Provision for employee end-of-service benefits	24,300	23,858
Gains at fair value through profit or loss	-	(20,533)
Company's share in profits of associates	-	(19)
Interest income on Bank deposit	(7,984)	(4,671)
Finance costs	3,242	2,919
	99,776	**433,473**
Working capital adjustments:		
Receivables	37,215	(479,331)

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited
Prepaid expenses and other accounts receivable	12,451	(16,598)
Contract assets	(61,168)	(273,980)
Payables	(28,116)	140,435
Contract liabilities	32,258	(27,769)
accrued expenses and other liabilities	(69,436)	207,776
Dues to Related Parties	-	(1,962)
Cash from operations	**22,980**	**(17,956)**
Zakat paid	-	(43,954)
Interest income on Bank deposit	8,837	2,393
End-of-service benefits paid to employees	(4,343)	(10,092)
Net cash generated from operating activities	**27,474**	**(69,609)**
Investment activities		
Bank deposits	613,404	(35,568)
Cash acquired upon acquisition of a subsidiary	245,673	-
Purchase of property, machinery, equipment, and intangible assets	(7,541)	(11,305)
Proceeds from disposal of property, machinery, equipment, and tangible assets	5	71
Investments in associates	-	-
Other financial assets	(4,995)	(4,146)
Capital work in progress	(39,682)	(32,051)
Net cash flows used in investment activities	**806,864**	**(82,999)**
Financing activities		
Payments for the capital component of the capital lease	(7,551)	(18,237)
Payments for capital lease liabilities	-	(23,496)
Payments for Related Parties		
Financial charges paid	(803)	(3,248)
Generated from the disposal of machinery, property, and equipment	-	-
Payments for Related Parties	(14,521)	(14,599)
Dividends paid	-	-
Net cash flows used in financing activities	**(22,875)**	**(59,580)**
Net change in cash and cash equivalents	**811,463**	**(212,188)**
Cash and cash equivalents at the beginning of the year	104,828	1,013,318
Cash and cash equivalents at the end of the year	**916,291**	**801,130**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Net cash flows from operating activities

Net cash flows generated from operational activities decreased from SAR 27.5 million (cash inflow) in the six-month period ended 30 June 2020G to SAR -69.6 million in the six-month period ended 30 June 2021G, as a result of changes in the working capital balance, especially receivables, from SAR 37.2 million (cash inflow) to SAR -479.3 million, and contract liabilities, from SAR 32.3 million (cash inflows) to SAR -27.8 million.

Net cash flows (used in) generated from financing activities

Net cash flows (used in) generated from investment activities decreased from SAR 806.9 million (cash inflow) in the six-month period ended 30 June 2020G, to SAR -83.0 million in the six-month period ended 30 June 2021G, as a result of the decrease in bank deposits from SAR 613.4 million (cash inflow) to SAR -35.6 million.

Net cash flows used in financing activities

Cash flows utilized in financing activities decreased from SAR -22.9 million in the six-month period ended 30 June 2020G to SAR -59.6 million in the six-month period ended 30 June 2021G, as a result of the increased repayment of the capital element of the capital lease from SAR -7.6 million to SAR 18.2 million, and the repayment of Capital lease liabilities in the amount of SAR 23.5 million in the six-month period ended 30 June 2021G.

6-7-2 Results of operations for the six-month period ended 30 June 2020G and 30 June 2021G for Emdad Al Khebrat and the Saudi Company for Exchanging Digital Information (Tabadul)

a) Emdad Al Khebrat

The following table summarizes the statement of profit or loss and other comprehensive income of Emdad Al Khebrat before excluding the joint operations for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-140): Statement of Income

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Revenue	192,355	288,905	50.2%
Cost of revenue	(164,303)	(243,479)	48.2%
Gross profit	28,052	45,426	61.9%
Selling and marketing	-	(528)	N/A
General and administrative	(7,501)	(8,773)	17.0%
Depreciation and amortisation	(33)	-	N/A
Operating profit	20,518	36,125	78.6%
Other income (expenses)	1,835	1,667	(9.2%)
Net profit before Zakat	22,353	37,792	71.4%
Zakat	-	(3,690)	N/A
Net profi	22,353	34,102	52.6%
Recalculation of the end-of-service provision	-	-	N/A
Total comprehensive income for the year	22,353	34,102	52.6%
Key Performance Indicators:			
As a % of revenue	Percentage point		
Gross profit	14.6%	15.7%	(14.4)
General and administrative expenses	3.9%	3.0%	(3.9)
Net profit	11.6%	11.8%	(11.5)

Source: Condensed consolidated financial statements for the periods ended 30 June 2020G and 2021G

Emdad Al Khebrat is a fully-owned subsidiary of Elm, which mainly delivers workforce services for Elm projects along with limited external projects for a third party.

Revenue

Revenue increased from SAR 1,922.3 million during the six-month period ended 30 June 2020G to SAR 288.9 million during the six-month period ended 30 June 2021G, due to the increase in revenues from Related Parties, which are mainly related to the revenues generated by Elm. Revenues from Elm amounted to SAR 269 million during the six-month period ended 30 June 2020G, and SAR 175 million during the six-month period ended 30 June 2021G.

Cost of revenue

Cost of revenue mainly consists of employee related costs (99%). The cost of revenue increased from SAR 164.3 million during the six-month period ended 30 June 2020G to SAR 243.5 million during the six-month period ended 30 June 2021G, mainly due to the increase in the employee costs from SAR 161.9 million during the six-month period ended 30 June 2020G to SAR 241.1 million during the six-month period ended 30 June 2021G, which was driven by the increase in the average number of employees classified within the cost of revenue from 1,341 to 1,588 during the same period.

Gross profit

Gross profit increased from SAR 28.1 million during the six-month period ended 30 June 2020G to SAR 45.4 million during the six-month period ended 30 June 2021G, due to the increase in revenues during the same period.

General and administrative expenses

General and administrative expenses increased from SAR 7.5 million during the six-month period ended 30 June 2020G to SAR 8.8 million during the six-month period ended 30 June 2021G, mainly due to the increase in subscriptions and memberships from SAR 21 thousand to SAR 297.8 thousand, coupled with an increase in consulting costs from SAR 2.3 million to SAR 4.7 million during the same period, while there was a decrease in employee related costs from SAR 5.0 million to SAR 3.6 million during the same period.

Other income (expenses)

Other income mainly includes funds from the Human Resources Development Fund program. The fluctuation over the period from SAR 1.8 million during the six-month period ended 30 June 2020G to SAR 1.7 million during the six-month period ended 30 June 2021G was related to the amounts received from the Human Resources Development Fund program.

Depreciation and amortisation

Depreciation and amortization decreased from SAR 34 thousand during the six-month period ended 30 June 2020G to nil during the six-month period ended 30 June 2021G.

Zakat

Pursuant to a Royal Decree, companies wholly owned by the Public Investment Fund were exempted from paying Zakat to the General Authority for Zakat and Income. This exemption expired on 31 December 2019G. As such, the company recorded Zakat expenses of SAR 3.7 million during the six-month period ended 30 June 2021G (the Company did not record Zakat expenses during the six-month period ended 30 June 2020G).

Net profit

Gross profit increased from SAR 22.4 million during the six-month period ended 30 June 2020G to SAR 34.1 million during the six-month period ended 30 June 2021G, due to the increase in revenue and gross profit during the same period.

The following table summarizes the statement of financial position of Emdad Al Khebrat Co. as at 31 December 2020G and 30 June 2021G:

Table (6-141): Statement of Financial Position

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Non-current assets			
Intangible assets	-	-	N/A
Total non-current assets	-	-	N/A
Current assets			
Dues from Related Parties	198,679	256,950	29.3%
Receivables	4,457	4,454	(0.1%)
Contract assets	52	1,503	2,790.4%
Prepaid expenses and other accounts receivable	10,700	3,630	(66.1%)
Cash and cash equivalents	13,162	9,790	(25.6%)
Total current assets	**227,050**	**276,327**	**21.7%**
Total assets	**227,050**	**276,327**	**21.7%**
Equity			
Issued and paid up capital	500	500	0.0%
Statutory reserve	250	250	0.0%
Other reserves	(2,277)	(2,277)	0.0%
Retained earnings	168,753	202,853	20.2%
Total equity	**167,226**	**201,326**	**20.4%**
Non-current liabilities			
Provision for employee end-of-service benefits	20,784	(24,593)	(218.3%)
Total non-current liabilities	**20,784**	**(24,593)**	**(218.3%)**
Current liabilities			
Payables	5,921	(3,830)	(35.3%)
Contract liabilities	-	629	N/A
Zakat	5,142	3,690	(28.2%)
accrued expenses and other liabilities	27,977	42,259	(51.0%)
Total current liabilities	**39,040**	**50,408**	**29.1%**
Total liabilities	**59,824**	**75,001**	**25.4%**
Total liabilities and equity	**227,050**	**276,327**	**21.7%**
Key Performance Indicators			
Average days sales outstanding (days)	8	3	(62.5%)
Average days payable outstanding period (days)	13	3	(76.9%)
Return on assets	9.8%	12.3%	25.5%
Return on equity	13.0%	16.6%	27.7%

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Assets

Non-current assets

These assets were fully amortized on 31 December 2020G.

Current assets

Current assets increased from SAR 227.0 million as at 31 December 2020G to SAR 276.4 million as at 31 December 2021G mainly due to the increase in amounts due from related parties from SAR 198.7 million as at 31 December 2020G to SAR 256.9 million as at 31 December 2021G. This increase was mainly due to the increase in the Company's revenues from Elm during the same period.

Liabilities and equity

Equity

Total equity increased from SAR 167.3 million as at 31 December 2020G to SAR 201.3 million as at 30 June 2021G, mainly due to an increase in retained earnings from SAR 168.8 million as at 31 December 2020G to SAR 202.9 million as at 30 June 2021G.

Liabilities

Non-current liabilities

Non-current liabilities consist only of provisions for employee end-of-service benefits, which increased from SAR 20.8 million as at 31 December 2020G to SAR 24.1 million as at 30 June 2021G. This was due to the increase in the number of employees.

Current liabilities

Current liabilities increased from SAR 39.0 million as at 31 December 2020G to SAR 50.4 million as at 30 June 2021G. This was mainly due to the increase in payable expenses and other liabilities from SAR 28.0 million as at 31 December 2020G to SAR 42.3 million as at 30 June 2021G against the increase in employee entitlements (SAR +12.0 million) as a result of the increase in the average number of employees.

The following table summarizes the statement of cash flows of Emdad Al Khebrat Co. during the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-142): Cash Flow Statement

SAR'000	Six-Month Period Ended 30 June 2020G Audited	Six-Month Period Ended 30 June 2021G Unaudited
Operating activities		
Net profit	22,353	37,790
Adjustments for non-cash items:		
Depreciation and amortisation	334	-
Provision for employee end-of-service benefits	5,151	5,811
	27,538	**43,603**
Working capital adjustments:		
Receivables	(3,708)	3
Prepaid expenses and other accounts receivable	3,971	7,071
Contract assets	(26)	(1,451)
Dues from Related Parties	(18,705)	(63,414)
Payables	(910)	(2,091)
accrued expenses and other liabilities	(3,003)	14,282
Cash from operations	**5,157**	**(1,368**
End-of-service benefits paid to employees	(2,704)	(2,004)
Net cash generated from operating activities	**2,453**	**(3,372)**
Net change in cash and cash equivalents	**2,453**	**(3,372)**

SAR'000	Six-Month Period Ended 30 June 2020G Audited	Six-Month Period Ended 30 June 2021G Unaudited
Cash and cash equivalents at the beginning of the year	493	13,162
Cash and cash equivalents at the end of the year	**2,946**	**9,790**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Net cash flows from operating activities

Net cash flow from operating activities decreased from SAR 2.5 million (cash inflow) during the six-month period ended 30 June 2020G to SAR -3.4 million during the six-month period ended 30 June 2021G (cash outflow). This was mainly due to the increase in dues from Related Parties, which led to an increase in outflow from SAR 18.7 million during the six-month period ended 30 June 2020G to SAR 63.4 million during the six-month period ended 30 June 2021G. This was partially offset by the change in accrued expenses and other liabilities from SAR 7.1 million cash inflow during the six-month period ended 30 June 2021G compared to SAR 3.0 million cash outflow during the six-month period ended 30 June 2020G.

b) Saudi Company for Exchanging Digital Information (Tabadul)

The following table summarizes the statement of profit or loss and other comprehensive income of the Saudi Company for Exchanging Digital Information (Tabadul) for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-143): Statement of Income

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited	Annual Change 2020G–2021G
Revenue	130,075	150,716	15.9%
Cost of revenue	(88,054)	(109,327)	24.2%
Gross profit	**42,021**	**41,389**	**(4.1%)**
General and administrative expenses	(28,441)	(40,248)	41.5%
Selling and marketing expenses	(2,513)	(640)	(74.5%)
Expected Credit Losses (ECL) provision	-	-	N/A
Operating profit	**11,067**	**501**	**(95.5%)**
Other income (expenses)	70	-	N/A
Interest income - term deposit returns	2,917	412	(85.9%)
Finance costs	(677)	(773)	14.2%
Net (loss)/profit for the year before Zakat	**13,377**	**140**	**(99.1%)**
Zakat expense	-	(4,637)	N/A
Net profit/(loss)	**13,377**	**(4,497)**	**(133.6%)**
Recalculation of the end-of-service provision	-	-	N/A
Total comprehensive income for the year	**13,377**	**(4,497)**	**(133.6%)**
Key Performance Indicators:			
As a % of revenue	**Percentage point**		
Gross profit	33.2%	27.5%	(32.9)
General and administrative expenses	21.6%	26.7%	(21.3)
Selling and marketing expenses	1.9%	0.4%	(1.9)
Net profit	11.5%	(3.0%)	(11.5)

Source: Condensed consolidated financial statements for the periods ended 30 June 2020G and 2021G

Revenue

Fasah is a platform run by Tabadul in partnership with two government entities. It provides import and export logistic services for the private and government sectors. The increase in Tabadul revenues from SAR 130.1 million during the six-month period ended 30 June 2020G to SAR 150.7 million due the six-month period ended 30 June 2021G, was mainly due to the increase in the number of operations.

Cost of revenue

Cost of revenue is related to employee costs and the cost of the revenue sharing agreement entered into by Tabadul and two government entities, with about 20% and 27% of the revenues of the Fasah platform going to each of them. The cost of revenue increased from SAR 88.1 million during the six-month period ended 30 June 2020G to SAR 109.3 million during the six-month period ended 30 June 2021G mainly due to the increase in the cost of the profit sharing agreement, while there was a decrease in the costs of outsourcing, contractors, software programs, and electronic licenses.

Gross profit

Gross profit increased from SAR 42.0 million during the six-month period ended 30 June 2020G to SAR 41.4 million during the six-month period ended 30 June 2021G, due to the increase in the cost of profit sharing during the same period.

General and administrative expenses

General and administrative expenses increased from SAR 28.4 million during the six-month period ended 30 June 2020G to SAR 40.2 million during the six-month period ended 30 June 2021G, mainly due to an increase in consultancy costs by SAR 7.1 million.

Selling and marketing expenses

Selling and marketing expenses decreased from SAR 2.5 million during the six-month period ended 30 June 2020G to SAR 640 thousand during the six-month period ended 30 June 2021G, due to the decrease in advertising expenses by SAR 0.8 million and decrease in public relations dues amounting to SAR1.0 million.

Other revenues (expenses)

Other income decreased from SAR 70 thousand during the six-month period ended 30 June 2020G to nil during the six-month period ended 30 June 2021G.

interest income - term deposit

Interest income decreased from SAR 2.9 million during the six-month period ended 30 June 2020G to SAR 412 thousand during the six-month period ended 30 June 2021G, driven by the maturity of the deposit amounting to SAR 250.0 million in the second half of the financial year 2020G coupled with a general decrease in average interest rates.

Finance costs

They are related to the present value of the interest-free loan from the Related Party (Public Investment Fund), in addition to the financing costs of the lease obligations according to IFRS 16. Financing expenses increased from SAR 677 thousand during the six-month period ended 30 June 2020G to SAR 773 thousand during the six-month period ended 30 June 2021G.

Zakat

Pursuant to Royal Decree No. 35257 dated 29/06/1442H, the General Authority for Zakat, Tax and Customs collects Zakat from companies fully owned, directly or indirectly, by the Public Investment Fund. However, companies resident in the Kingdom of Saudi Arabia and the like that are fully owned by Public Investment Fund are not subject to Zakat for the financial years ended 31 December 2019G. As such, the company recorded Zakat expenses of SAR 4.6 million during the six-month period ended 30 June 2021G (the company did not record Zakat expenses during the six-month period ended 30 June 2020G).

Net profit/(loss)

Tabadul Company recorded losses of (SAR 4.5 million) during the six-month period ended 30 June 2020G compared to profits of SAR 13.4 million during the six-month period ended 30 June 2021G, due to Zakat expenses of SAR 4.6 million during the six-month period ended 30 June 2021G and the expansion of the Company's business.

The following table summarizes the statement of financial position of the Saudi Company for Exchanging Digital Information (Tabadul) as at 31 December 2020G and 30 June 2021G:

Table (6-144): Statement of Financial Position

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Non-current assets			
Property and equipment, net	28,846	43,038	49.2%
Intangible assets, net	70,484	70,926	0.6%
Capital work in progress	54,356	50,942	(6.3%)
Right-of-use assets	5,405	4,225	(21.8%)
Term deposits	-	-	N/A
Total non-current assets	**159,092**	**169,13**	**6.3%**
Current assets			
Cash and cash equivalents	469,144	437,882	(6.7%)
Accounts receivable, net	31,954	40,532	26.8%
Prepaid expenses and other current assets	10,424	15,824	51.8%
Total current assets	**511,522**	**494,237**	**35.7%**
Total assets	**867,614**	**663,369**	**1.1%**
Equity			
Capital	50,000	50,000	0.0%
Additional capital contribution	35,258	35,258	0.0%
Statutory reserve	25,000	25,000	0.0%
General reserve	26,123	26,123	0.0%
Retained earnings	260,820	228,424	(12.4%)
Total equity	**397,201**	**363,805**	**(8.4%)**
Non-current liabilities			
Lease obligations - non-current portion	2,282	2,282	0.0%
Employee benefits obligations	9,523	10,618	11.5%
Total non-current liabilities	**11,805**	**12,900**	**9.3%**
Current liabilities			
Trade payables	12,785	19,702	54.1%
Lease obligations - current portion	2,496	1,275	(48.9%)
Dues to Related Parties	13,896	7,588	(45.4%)
Other dues and liabilities	224,843	252,462	(12.3%)
Provision for Zakat	7,588	4,636	(38.9%)
Total current liabilities	**261,608**	**285,664**	**9.2%**
Total liabilities	**273,413**	**297,564**	**8.8%**
Total liabilities and equity	**670,614**	**663,369**	**(1.1%)**
Key Performance Indicators			
Average days sales outstanding (days)	90	48	(46.7%)

SAR'000	31 December 2020G Audited	30 June 2021G Unaudited	Annual Change 2020G–2021G
Average days payable outstanding (days)	54	32	(40.7%)
Return on assets	2.2%	(0.7%)	(131.8%)
Return on equity	3.8%	(1.2%)	(131.6%)

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Assets

Non-current assets

Non-current assets increased from SAR 159.1 million as at 31 December 2020G to SAR 169.1 million as at 30 June 2021G and from SAR 28.8 million as at 31 December 2020G to SAR 43.0 million as at 30 June 2021G, due to additions to capital work in progress related to the Fasah platform and infrastructure development.

Current assets

Current assets decreased from SAR 511.5 million as at 31 December 2020G to SAR 494.2 million as at 30 June 2021GG. This decrease was due to the decrease in cash and cash equivalents from SAR 469.1 million as at 31 December 2020G to SAR 437.9 million as at 30 June 2021G.

Liabilities and equity

Equity

Total equity decreased from SAR 397.2 million as at 31 December 2020G to SAR 364.8 million as at 30 June 2021G, mainly due to a decrease in retained earnings from SAR 260.8 million to SAR 228.4 million during the same period, mainly due to the losses incurred during such period.

Liabilities

Non-current liabilities

Current liabilities increased from SAR 11.8 million as at 31 December 2020G to SAR 12.9 million as at 30 June 2021G, mainly due to the increase in employee liabilities and benefits from SAR 9.5 million to SAR10.6 million during the same period.

Current liabilities

Current liabilities increased from SAR 261.6 million as at 31 December 2020G to SAR 285.7 million as at 30 June 2021G. This increase was mainly due to the increase in accrued expenses and other liabilities from SAR 224.8 million to SAR 252.5 million in 2020G along with the increase in the entitlements of profit-sharing projects related to balances owed to two government entities from SAR 84.4 million to SAR 113.5 million during the same period.

The following table summarizes the statement of cash flows of the Saudi Company for Exchanging Digital Information (Tabadul) for the six-month period ended 30 June 2020G and 30 June 2021G:

Table (6-145): Cash Flow Statement

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited
Operating activities		
Net (loss)/profit for the year before Zakat	13,377	140
Adjustments for non-cash items:		
Depreciation of property and equipment	1,434	2,530
Amortization of intangible assets	3,829	10,308
Finance costs	612	625

SAR'000	Six-Month Period Ended 30 June 2020G Unaudited	Six-Month Period Ended 30 June 2021G Unaudited
Depreciation of right-of-use assets	1,180	1,180
Employee defined benefit liabilities	1,579	1,718
	22,011	**16,501**
Changes in operating assets and liabilities:		
Accounts receivable, net	(34,497)	(8,578)
Advance payments and other current assets	1,469	(5,400)
Trade payables	(4,313)	6,917
Other dues and current liabilities	25,951	(280)
Cash from operating activities	**10,621**	**9,160**
Paid employee benefits	(874)	(622)
Net cash from operating activities	**9,747**	**8,538**
Investment activities		
Purchase of property and equipment	(839)	(491)
Purchase of intangible assets	(510)	(733)
Additions to Capital work in progess	(18,599)	(22,833)
Net cash flows used in investment activities	**(19,948)**	**(24,057)**
Financing activities		
Paid portion of a loan from a Related Party	(14,521)	(14,521)
Paid portion of lease obligations	-	(1,222)
Proceeds from long-term investment	250,000	-
Dividends paid	-	-
Net cash flow generated from/(used in) financing activities	**235,479**	**(15,743)**
Net change in cash and cash equivalents during the year	**225,278**	**(31,262)**
Cash and cash equivalents at the beginning of the year	245,673	469,144
Cash and cash equivalents at the end of the year	**470,951**	**437,882**

Source: The audited consolidated financial statements for the year ended 31 December 2020G and the condensed consolidated financial statements for the period ended 30 June 2021G

Net cash flows from operating activities

Net cash flows from operating activities decreased from SAR 9.7 million during the six-month period ended 30 June 2020G to SAR 8.5 million during the six-month period ended 30 June 2021G, as a result of the decrease in the Company's net profit before Zakat from SAR 14.9 million to SAR 139.1 thousand during the same period. On the other hand, trade payables changed from SAR 6.9 million cash inflow during the six-month period ended 30 June 2020G to SAR 4.3 million cash outflow during the six-month period ended 30 June 2021G.

Net cash flows (used in) generated from financing activities

Net cash flows (used in) generated from investment activities decreased from SAR -19.9 million during the six-month period ended 30 June 2020G to SAR -24.1 million during the six-month period ended 30 June 2021G, as a result of an increase in purchases of intangible assets from SAR 509.9 thousand to SAR 733.3 million and Capital work in progress from SAR 18.6 million to SAR 22.8 million during the same period.

Net cash flows used in financing activities

Net cash flow used in financing activities decreased from SAR 235.5 million during the six-month period ended 30 June 2020G, which resulted from collections from a long-term investment of SAR 250 million to SAR -31.3 million during the six-month period ended June 30 2021G.

7- Dividend Distribution Policy

Shares give their holders the right to receive the profits announced by the Company from the date of this Prospectus and for the following financial years.

The Company intends to distribute annual dividends among its shareholders in order to enhance the value obtained by these shareholders in proportion to the Company's profits, its financial position, the restrictions to which dividend distribution is subject under financing and debt agreements, the results of the Company's activities, current and future cash needs, expansion plans, the Company's investment requirements, and other factors, including analysis of investment opportunities, the Company's reinvestment requirements, cash and capital requirements, business expectations, and the impact of any such distributions on any legal and regulatory considerations. In addition, investors wishing to invest in the Offer Shares should be aware that the dividend policy may change from time to time.

Despite the Company's intention to distribute annual dividends among its shareholders, there are no guarantees of an actual distribution of dividends and there is no guarantee with regard to the amounts that will be paid in any year. The Company's annual net profits are distributed after deducting all general expenses and other costs as follows:

1) Ten percent (10%) of the net profits shall be set aside to form the Company's statutory reserve. The Ordinary General Assembly may decide to discontinue this deduction when said reserve reaches 30% of the paid-up capital.
2) The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside a certain percentage of the net profits to form consensual reserves to be allocated for specific purposes.
3) The Ordinary General Assembly, when determining the share in the net profits, may decide to form other reserves, to the extent that such serves the interest of the Company or to ensure the distribution of fixed and regular profits as much as possible among the shareholders. The General Assembly may also deduct amounts from the net profits to establish social institutions or funds for the Company's employees or to assist existing such institutions or funds.
4) The General Assembly, based on the proposal of the Board of Directors, may distribute the remaining profits among the shareholders in accordance with the provisions of the Dividend Distribution Policy and the Company's Bylaws.
5) The Company may distribute dividends or interim dividends among its shareholders after fulfilling the statutory requirements in this regard.
6) Subject to the provisions stipulated in Article 22 of the Bylaws and Article 76 of the Companies Law, the General Assembly may allocate, after satisfying the above, a bonus for the Directors, provided that the entitlement to this bonus is proportional to the number of sessions attended by the Director if the bonus is a percentage of the profits.

The following table shows a summary of the profits distributed by the Company and its material subsidiaries during the previous three years and the six-month period ended 30 June 2021G:

Table (7-1): Dividends Distributed by the Company During the Financial Years Ended 31 December 2018G, 2019G, and 2020G and the First Half of 2021G

SAR	FY 2018G	FY 2019G	FY 2020G	H1 2021G
Net income	364,333,953	307,181,556	306,579,136	279,019,290
Dividends declared for the period	256,258,512	0	0	0
Dividends distributed during the period*	376,215,759	26,142,756	33,487,000	0
Ratio of declared profits to net income	70%	0%	0%	0%

*The dividends distributed in the financial year ended 2018G include profits announced in 2018G for 2017G, amounting to SAR 228,129,256 and dividends announced in 2017G for 2016G, amounting to SAR 148,086,503.

The dividends distributed in 2019G include dividends announced in 2018G for 2017G, amounting to SAR 26,142,756. The dividends distributed in 2020G include distributions made directly from Tabadul to the Substantial Shareholder.

Source: The Company

Table (7-2): Dividends Distributed by Tabadul During the Financial Years Ended 31 December 2018G, 2019G, and 2020G and the First Half of 2021G

SAR'000	FY 2018G	FY 2019G	FY 2020G	H1 2021G
Net income	31,031	82,685	(19,591)	14,940
Dividends declared for the period	15,000	13,950	33,487	27,900
Dividends distributed during the period	10,000	13,950	33,487	.
Ratio of declared profits to net income	48%	17%	N/A	187%

Source: The Company

Table (7-3): Dividends Distributed by Emdad Al Khebrat During the Financial Years Ended 31 December 2018G, 2019G, and 2020G and the First Half of 2021G

SAR'000	FY 2018G	FY 2019G	FY 2020G	H1 2021G
Net income	30,400	27,949	50,411	34,100
Dividends declared for the period	.	.	.	.
Dividends distributed during the period	.	.	.	.
Ratio of declared profits to net income	0%	0%	0%	0%

Source: The Company

8- Use of Proceeds

Total Offering proceeds are estimated at approximately Three billion seventy two million Saudi Riyals (SAR 3,072,000,000), of which, a sum of thirty-five million nine hundred and twelve thousand two hundred and sixty-eight Saudi Riyals (SAR 35,912,268) will be used to settle all Offering expenses, including the fees of the Financial Advisor, Lead Manager, Underwriter, Bookrunner, Legal Advisor, other advisors, the Auditors, Receiving Entities, and Market Consultant, as well as the marketing, printing, distribution, and other fees and expenses related to the Offering. The Net Proceeds, estimated at approximately three billion thirty-six million and eighty-seven thousand seven hundred and thirty-one Saudi Riyals (SAR 3,036,087,731.92) will be returned to the Selling Shareholder. The Selling Shareholder shall bear all fees, expenses, and costs pertaining to the Offering. The Company will not receive any portion of the Net Proceeds.

9- Capitalisation and Indebtedness of the Company

The Public Investment Fund holds all of the Company's shares prior to the Offering. Upon completion of the Offering, the Substantial Shareholder will hold 67% of the Company's shares. The following table presents the capitalisation of the Company as derived from its audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G, and the revised interim statements for the six-month period ended 30 June 2021G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 18 "**Financial Statements And Chartered Accountants Report**" of this Prospectus.

Table (9-1): Capitalisation and Indebtedness of the Company for the Financial Years Ended 31 December 2018G, 2019G, and 2020G and the Six-Month Period Ended 30 June 2021G

(SAR'000)	FY 2018G	FY 2019G	FY 2020G	H1 2021G
Total loans	-	-	-	-
Lease liabilities - non-current	-	119,269	101,534	107,690
Lease liabilities - current	-	18,765	28,369	11,823
Total loans and liabilities	**-**	**138,034**	**129,903**	**119,513**
Shareholder rights				
Issued and paid up capital	50,000	50,000	50,000	50,000
Proposed capital increase	-	-	450,000	300,000
Statutory reserve	25,000	25,000	25,000	25,000
Retained earnings	1,137,307	1,434,562	1,708,936	1,723,326
Total shareholder equity	1,212,307	1,509,562	2,233,936	2,512,955
Total capitalisation (total loans and liabilities + total shareholder rights)	**1,212,307**	**1,647,596**	**2,363,839**	**2,632,468**
Total loans and liabilities/ total capitalisation	**-**	**8.37%**	**5.49%**	**4.54%**

Source: The Company

The Directors declare that:

1) None of the shares of the Company or its subsidiaries are subject to any options rights.
2) Neither the Company nor its subsidiaries have any debt instruments as at the date of this Prospectus.
3) The Company's balance and cash flows are sufficient to cover its expected cash needs for working capital and capital expenditures for at least twelve (12) months from the date of this Prospectus.

10- Expert Statements

All advisors whose names appear on pages (v) and (vi) hereof have given and, as of the date of this Prospectus, not withdrawn their written consent to the publication of their names, addresses, logos, and statements herein. Moreover, they do not themselves, nor any of their employees of the team working to provide services to the Company, or relatives thereof, have any shareholding or interest of any kind in the Company or its subsidiaries as at the date of this Prospectus which could compromise their independence.

11- Declarations

The Directors declare that:

1) There has been no interruption in the Company's business or that of its subsidiaries that could or would have a significant impact on the financial position in the last twelve months.

2) Except as disclosed in Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus, no commissions, discounts, brokerages fees, or other non-cash compensation in connection with the issue or offer of any securities was granted by the Company or its subsidiaries within the three (3) years immediately preceding the application for admission and offer of securities subject to this Prospectus with respect to issuance offering of securities.

3) Except as disclosed in Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus, there has been no material adverse change in the financial or trading position of the Company and its subsidiaries in the three years immediately preceding the date of filing the application for admission and offer of securities subject to this Prospectus and during the period from the end of the period covered by the Auditor's report up to the date of this Prospectus.

4) Except as disclosed in Section 5-7 "**Direct and Indirect Interests of Directors and Executive Management**" and Section 12-7 "**Related Party Transactions**" of this Prospectus, neither the Directors nor their relatives hold any share or interest of any kind in the Company or its subsidiaries.

5) None of the Directors, Senior Executives, or Board Secretary, have at any time declared bankruptcy or been subject to bankruptcy proceedings.

6) None of the companies at which any of the Directors, Senior Executives, or Board Secretary were employed in a managerial or supervisory capacity were declared insolvent or bankrupt during the past five (5) years preceding the date of this Prospectus.

7) Except as disclosed in Section 5-7 "**Direct and Indirect Interests of Senior Directors and Executives**" and Section 12-7 "**Related Party Transactions**" of this Prospectus, none of the Directors, Senior Executives, Board Secretary, or any of their relatives have any interest in any existing contract or arrangement, whether written or oral, or in any contract or arrangement under consideration or intended to be entered into with the Company up to the date of this Prospectus.

8) There is no intention to make any material change in the nature of the Group's business that would have a material impact on the Company's business and profits.

9) Except as disclosed in Section 2 "**Risk Factors**" of this Prospectus, the Company is not aware of any seasonal information or economic cycles related to its business that would affect the operations or financial position of the Company.

10) The information contained in this Prospectus, including the information contained in Section 3 "**Market and Industry Information**" prepared by the Market Consultant, has been derived from approved sources, and the Company has no reason to believe that such information is materially inaccurate.

11) Except as disclosed in Section 2-1-26 "**Risks related to the inadequacy of insurance coverage**" and Section 12-10 "**Insurance**" of this Prospectus, the insurance policies of the Company and its subsidiaries provide insurance coverage with sufficient limits (in accordance with the customary market practice for the similar cases) for the Company and its subsidiaries to exercise their business. The Company and its subsidiaries renew the insurance policies and contracts on a regular basis to ensure that continuous insurance coverage is in place.

12) All contracts and agreements that the Company considers important or material, or which may otherwise impact investors' decision to subscribe for the Offer Shares, have been disclosed. There are no other material agreements that have not been disclosed.

13) As at the date of this Prospectus, there are no material contracts or transactions with related parties that could have a significant impact on the Company's operations, except as disclosed in Section 12-7 "**Related Party Transactions**" of this Prospectus.

14) They have developed procedures, controls, and systems to enable the Company to meet all requirements of the related laws, regulations, and instructions, including the Companies Law, the Capital Market Law and its implementing regulations, the Rules on the Offer of Securities and Continuing Obligations, and the Listing Rules.

15) All the Company's employees are under its sponsorship.

16) The direct and indirect legal and beneficial shareholding of the Company as at the date of this Prospectus are held by the persons whose names appear in Section 4-1-1 "**Shareholder Structure**" of this Prospectus.

17) All increases to the capital of the Company are in compliance with the laws and regulations applicable in the Kingdom.

18) Except as disclosed in Section 2 "**Risk Factors**" and Section 12-4 "**Material Licenses**" of this Prospectus, the Company and all of its subsidiaries have obtained all the essential licenses and approvals required to exercise their business.

19) There is no pledge, rights, or encumbrance on any of the assets of the Company as at the date of this Prospectus.

20) The Company is capable of drafting the required reports in a timely manner in accordance with the implementing regulations issued by the CMA.

21) Except as disclosed in Section 2 "**Risk Factors**" of this Prospectus, there has been no breach of the contractual terms and conditions under the agreements entered into with the issuers of all loans, facilities, and financing. As at the date of this Prospectus, the Company is in compliance with all such terms and conditions.

22) As at the date of this Prospectus and to the best of their knowledge and belief, there are no other material risks - except as disclosed in Section 2 "**Risk Factors**" - that may affect prospective investors' decision to invest in the Offer Shares.

23) As at the date of the Prospectus, there is no intention to make any material change in the nature of the Group's business.

24) They will comply with the provisions of Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations, where the Directors may not have any direct or indirect interest in the transactions and contracts of the Company except with the permission of the General Assembly.

25) They will not vote on contracts entered into with related parties in General Assembly meetings if they have an interest therein, whether directly or indirectly.

26) They will not compete with the Company's business, and all related party transactions in the future will be conducted on an arm's length basis in accordance with Article 72 of the Companies Law.

27) None of the shares of the Company or its subsidiaries are subject to any options rights.

28) Neither the Company nor its subsidiaries have any debt instruments as at the date of this Prospectus.

29) The Company's balance and cash flows, and those of its subsidiaries, are sufficient to meet its expected cash and working capital requirements and capital expenditures for at least twelve (12) months after the date of this Prospectus, subject to any adverse and material change in the Company's operations.

30) The Offering does not constitute a breach of the relevant laws and regulations in the Kingdom.

31) The Offering does not constitute a breach of any contracts or agreements entered into by the Company.

32) All material legal information concerning the Company has been disclosed in the Prospectus.

33) Except as disclosed in Section 12-11 "**Lawsuits and Claims**" of this Prospectus, the Company and its subsidiaries are not subject to any claims or legal proceedings that could, individually or collectively, have a material effect on the business or financial position of the Company or its subsidiary, and they are not aware of any threatened lawsuits or claims.

34) The Directors are not subject to any claims or legal proceedings that could, individually or collectively, have a material effect on the business or financial position of the Company or its subsidiaries.

35) None of the agreements with Related Parties shown in Section 12-7 "**Related Party Transactions**" of this Prospectus contain preferential conditions, and they have been entered into in accordance with relevant laws and regulations and on an arm's length basis.

36) Except as disclosed in Section 12-7 "**Related Party Transactions**" of this Prospectus, the Company is not bound by any transactions, agreements, commercial relations, or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor, with respect to the Offering.

37) This Prospectus contains all information required to be included pursuant to the Rules on the Offer of Securities and Continuing Obligations, and there are no other facts that would materially affect the application for admission and offer of securities that have not been included herein.

38) The Company submitted and will submit to the Authority all the documents required pursuant to the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.

39) Sound internal control rules and systems have been developed by the Company as a written policy was put into place to regulate conflicts of interest, address any potential cases of conflict, and to prevent the misuse of the Company's assets and abuse resulting from transactions with Related Parties. In addition, the Company has ensured that sound financial and operational systems and appropriate control systems for the management of potential risks are in place, as required under Part Five of the Corporate Governance Regulations. Moreover, the Directors review the Company's internal control procedures of the Company on an annual basis.

40) Internal control, accounting, and information technology are adequate and appropriate.

41) Except as disclosed in Section 5-7 "**Direct and Indirect Interests of the Directors and Executive Management**" and Section 12-7 "**Related Party Transactions**" of this Prospectus, none of the Directors is engaged in any activities that compete with the Company. The Directors undertake to comply with the requirements of the Companies Law and the Corporate Governance Regulations.

42) The Directors will notify the Board of Directors of any direct or indirect interest they have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting.

43) The Directors and CEO shall not have the right to vote on decisions relating to their fees and remuneration.

44) The Directors shall not have the right to borrow money from the Company.

The Directors further undertake:

1) to record all Board of Directors resolutions and deliberations in written minutes of meetings, which they shall sign.

2) to disclose the details of any related party transactions pursuant to requirements of the Companies Law and the Corporate Governance Regulations.

12- Legal Information

12-1 Legal Declarations

The Directors declare the following:

1) The Offering does not violate the relevant laws and regulations in the Kingdom.

2) The Offering does not constitute a breach of any contracts or agreements entered into by the Company.

3) All material legal information relating the Company has been disclosed in the Prospectus.

4) Other than as set out in Section 12-11 "**Lawsuits and Legal Claims**" of this Prospectus, the Company and its subsidiaries are not subject to any lawsuits or proceedings that may, individually or collectively, have a material impact on the business of the Company or its subsidiaries or their financial standing.

5) The Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material impact on the business or financial position of the Company or its subsidiaries.

12-2 The Company

Elm Company is a Saudi one-person closed joint stock company incorporated pursuant to Royal Decree No. M/90 dated 03/11/1428H (corresponding to 13/11/2007G), registered in the Commercial Register of Riyadh under No. 1010069210 dated 24/10/1408H (corresponding to 09/06/1988G).

The Company was established on 24/10/1408H (corresponding to 09/06/1988G) as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty (50) ordinary cash shares with a fully paid-up nominal value of ten thousand Saudi Riyals (SAR 10,000) per share, registered in the Commercial Registry of Riyadh under No. 1010069210 under the name "**Al-Elm Research and Development Company**", which was later changed to "**Al-Elm Information Security Company**". On 03/11/1428H (corresponding to 13/11/2007G), the Company was converted from a limited liability company into a one-person closed joint stock company and its capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to fifty million Saudi Riyals (SAR 50,000,000) paid in full, divided into five million (5,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The increase of forty-nine million, five hundred thousand Saudi Riyals (SAR 49,500,000) was covered by capitalizing an amount of twenty-seven million Saudi Riyals (SAR 27,000,000) from retained earnings, in addition to a cash increase of twenty-two million, five hundred thousand Saudi Riyals (SAR 22,500,000). On 24/03/1442H (corresponding to 10/11/2020G), the Company's Extraordinary General Assembly agreed to amend the Company's name from "**Al-Elm Information Security Company, a one-person closed joint stock company**" to "**Elm, a one person closed joint stock company**" and increase the capital of the Company from fifty million Saudi Riyals (SAR 50,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) fully paid, divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The increase of four hundred and fifty million Saudi Riyals (SAR 450,000,000) was covered by issuing forty five million (45,000,000) new shares in the Company through (a) capitalization of an amount of thirty-three million, three hundred thirty-two thousand and fifty-four Saudi Riyals (SAR 33,332,054) from the balance of retained earnings and (b) capitalization of an amount of four hundred sixteen million, six hundred sixty-seven thousand, nine hundred and forty-six Saudi Riyals (SAR 416,667,946) in return for in-kind shares resulting from the acquisition of Tabadul. On 10/11/1442H (corresponding to 20/06/2021G), the Company's capital was increased from five hundred million Saudi Riyals (SAR 500,000,000) to eight hundred million Saudi Riyals (SAR 800,000,000) fully paid, divided into eighty million (80,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The increase was covered by capitalizing an amount of three hundred million Saudi Riyals (SAR 300,000,000) from the balance of the Company's retained earnings (for more information about the Company's history, please see Section 4-1-2 "**History of the Company and Capital Development**" of this Prospectus.

12-2-1 Shareholder Structure

The Company's current capital is eight hundred million Saudi Riyals (SAR 800,000,000) divided into eighty million (80,000,000) shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary shares, including thirty-eight million, three hundred thirty-three thousand, two hundred and five (38,333,205) cash shares and forty-one million, six hundred sixty-six thousand, seven hundred and ninety-five (41,666,795) in-kind shares. The following table sets out the Company's ownership structure as at the date of this Prospectus:

Table (12-1): Ownership Structure of the Company as at the Date of this Prospectus

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares	Total Nominal Value (SAR)	Percentage	Number of Shares	Total Nominal Value (SAR)	Percentage
1	Public Investment Fund	80,000,000	800,000,000	100%	53,600,000	536,000,000	67%
2	Public	-	-	-	24,000,000	240,000,000	30%
3	Treasury shares*	-	-	-	2,400,000	24,000,000	3%
Total		**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

* In parallel with the Offering, the Public Investment Fund will sell two million four hundred thousand (2,400,000) shares based on the Offer Price to the Company to be used in the employee share program.

Source: The Company

12-2-2 Company Branches

The Company has one branch in Jeddah in the Kingdom.

12-3 Subsidiaries

For the purpose of measuring the materiality of the Company's subsidiaries, the Company and the Financial Advisor have taken into account their impact on the decision to invest in such company's securities and their price including, but not limited to, whether they constitute 5% or more of the Company's total assets, liabilities, revenues, profits, or potential obligations. Accordingly, the Company has five (5) non-material subsidiaries and two material subsidiaries, as follows:

a) Material subsidiaries

The following table sets out the details of the Company's material subsidiaries as at the date of this Prospectus:

Table (12-2): Material Subsidiaries as at the Date of this Prospectus

#	Subsidiary	Country of Incorporation	Legal Entity	Capital (SAR)	Commercial Register No.	Date of Incorporation	Expiry Date of Commercial Register Certificate	Company's Ownership Percentage	Other Partners (if any)
1.	Tabadul	The Kingdom	A joint stock company	50,000,000	1010274503	14/10/1430H (corresponding to 10/03/2009G)	07/07/1529H (corresponding to 29/05/2077G)	100%	-
2.	Emdad Al-Khebrat	The Kingdom	A limited liability company	500,000	1010414975	22/07/1435H (corresponding to 21/05/2014G)	21/07/1465H (corresponding to 29/06/2043G)	100%	-

Source: The Company

b) Non-material subsidiaries

The following table sets out the details of the Company's non-material subsidiaries as at the date of this Prospectus, none of which are material for the purposes of the Rules on the Offer of Securities and Continuing Obligations, as follows:

Table (12-3): Non-Material Subsidiaries as at the Date of this Prospectus

#	Subsidiary	Country of Incorporation	Legal Entity	Capital (SAR)	Commercial Register No.	Date of Incorporation	Expiry Date of Commercial Register Certificate	Company's Ownership Percentage	Other Partners (if any)
1.	Elm Technology Investment Company	The Kingdom	A limited liability company	500,000	1010599252	16/02/1441H (corresponding to 15/10/2019G)	07/04/1472H (corresponding to 01/01/2050G)	100%	-
2.	Al-Umrah Premium Services Company	The Kingdom	A limited liability company	500,000	1010656805	12/02/1442H (corresponding to 29/09/2020G)	10/02/1492H (corresponding to 24/03/2069G)	100%	-
3.	Future Resources Limited	The Kingdom	A limited liability company	50,000	1010606896	23/03/1441H (corresponding to 20/11/2019G)	25/02/1472H (corresponding to 21/11/2049G)	-	99.98% by Elm Technology Investment Co. and 0.02% by Emdad Al Khebrat
4	ASDAM Digital FZ LLC	Dubai - United Arab Emirates	A limited liability company	AED 50,000	99019	09/02/1443H (corresponding to 16/09/2021G)	19/02/1444H (corresponding to 15/09/2022G)	100%*	-
5	Elm Arkan information systems Technology	The Kingdom	Limited Liability company	500,000	101020953	15/04/1436H (corresponding to 23/05/2005G)	23/12/1443H (corresponding to 22/07/2022G)	60%*	40% for Saud Saad Saud Alarifi

* This percentage is owned by the Company through Future Resources Co., which is wholly-owned (directly and indirectly) by the Company.

Source: The Company

c) Investees

The Company has investments in a number of companies inside and outside the Kingdom, none of which are material for the purposes of the Rules on the Offer of Securities and Continuing Obligations, as follows:

Table (12-4): Investees as at the Date of this Prospectus

#	Investees	Country of Incorporation	Legal Entity	Capital	Commercial Register No.	Date of Incorporation	Expiry Date of Commercial Register Certificate	Company's Ownership Percentage (Direct and Indirect)	Other Partners (if any)
1.	Al-Dal Real Estate Services Co.	The Kingdom	A limited liability company	SAR 500,000	1010680496	29/05/1442H (corresponding to 13/01/2021G)	20/09/1452H (corresponding to 22/06/2030G)	30%*	70% by Itqan Al-Aqaria Co.
2.	Sahl Al-Madar Trading Co.	The Kingdom	A limited liability company	SAR 200,000	1010586820	07/11/1440H (corresponding to 20/07/2019G)	23/11/1542H (corresponding to 10/10/2077G)	30%*	70% by Al-Obaikan Digital Solutions
3.	Smart National Solutions Company for Information Technology	The Kingdom	A limited liability company	SAR 204,000	1010463892	28/11/1437H (corresponding to 31/08/2016G)	14/09/1539H (corresponding to 03/08/2077G)	24%	76% by Abdul-Majeed Ibraheem Abdullah Al-Mousa
4.	Syarah	British Virgin Islands	A limited liability company	500,000 shares of no nominal value	1902271	14/03/1436H (corresponding to 05/01/2016G)	N/A	15.21%*	Other investors

#	Investees	Country of Incorporation	Legal Entity	Capital	Commercial Register No.	Date of Incorporation	Expiry Date of Commercial Register Certificate	Company's Ownership Percentage (Direct and Indirect)	Other Partners (if any)
5.	Unifonic	British Virgin Islands	A limited liability company	122,499,962 shares	1887019	04/11/1436H (corresponding to 19/08/2015G)	N/A	1.28%*	Other investors
6.	Bayzat	Cayman Islands	A limited liability company	1,000,000 shares with a nominal value of USD 0.01 per share	MC269978	08/08/1433H (corresponding to 28/06/2012G)	N/A	1.48%	Other investors
7.	Zid Holding Limited	Abu Dhabi Global Market, United Arab Emirates	A limited liability company	14,137 shares with a nominal value of USD 0.0001	1902271	12/01/1440H (corresponding to 22/09/2018G)	N/A	14.28%*	Other investors
8.	Alwans Technology Corp.	British Virgin Islands	A limited liability company	10,000,000 shares with a nominal value of USD 0.01 per share	1941071	15/08/1442H (corresponding to 28/03/2021G)	N/A	1.34%*	Other investors
9.	HealthifyMe	Singapore	A limited liability company	1,300,175 ordinary shares and 3,956,189 preferred shares	R201435901	10/02/1436H (corresponding to 02/12/2014G)	N/A	0.98%*	Other investors
10	Curative Care Co.	Cayman Islands	A limited liability company	50,000 ordinary shares with a nominal value of USD 0.001 per share	-	23/11/1441H (corresponding to 14/07/2020G)	-	0.34%*	Other investors

* This percentage is owned by the Company through Future Resources Limited., which is wholly-owned (directly and indirectly) by the Company.

Source: The Company

12-4 Material licenses

The Company has obtained all the necessary material licenses from the competent authorities that enable it to carry out its business. Following is a summary of the material licenses issued to the Company in the Kingdom:

Table (12-5): Material Licenses of the Company and Emdad Al-Khebrat

#	License Type	Licensee	Issuing Entity	Purpose	License No.	Issue Date	Expiry Date
1	Trade license	The Company	Riyadh Municipality	Office for the Provision of Administrative Advisory Services	41073459236	-	12/07/1444H (corresponding to 03/02/2023G)
2	Trade license	The Company	Riyadh Municipality	Office for the Provision of Administrative Advisory Services	42105737475	-	05/12/1443H (corresponding to 04/07/2022G)
3	Trade license	Emdad Al-Khebrat	Riyadh Municipality	Office for Corporate Business Management	3801586	25/10/1438H (corresponding to 19/07/2017G)	25/10/1445H (corresponding to 04/05/2024G)

#	License Type	Licensee	Issuing Entity	Purpose	License No.	Issue Date	Expiry Date
4	Trade license	The Company	Contractor classification certificate from the Ministry of Municipal and Rural Affairs and Housing	Contractors classification certificate	19291	13/10/1440H (corresponding to 16/06/2019G)	13/10/1444H (corresponding to 03/05/2023G)
5	Trade license	The Company	Communications and Information Technology Commission	Providing tracking services	380-07-249	26/03/1438H (corresponding to 25/12/2016G)	07/04/1443H (corresponding to 12/11/2021G)
6	Real estate license	The Company	Real Estate General Authority	Online real estate platforms license	2100000132	27/11/1442H (corresponding to 07/07/2021G)	02/03/1446H (corresponding to 05/09/2024G)
7	Trade license	Tabadul	Riyadh Municipality	Providing communication services	3800182	-	03/02/1441H (corresponding to 01/10/2019G)

Source: The Company

12-5 Summary of the Company's Bylaws

12-5-1 Objectives, term, and head office of the Company

a) Objectives of the Company

The Company carries out and executes the following objectives:

1) providing communications and information technology, information security, e-business, and exchanging credit information services;
2) providing electronic linking services between the governmental and the private sector;
3) managing, equipping, operating, and maintaining data and information centres;
4) wholesale and retail , import and export of electronic equipment and instruments, their spare parts, software, information systems, and communication networks.
5) managing, maintaining, operating, and developing electronic equipment and mechanisms, information systems, and communication networks;
6) providing online platforms for buying and selling online;
7) providing, training, and developing human resources for purposes of managing, operating, and developing the business and services of the public and private sectors in the field of information technology, communications and other fields;
8) obtaining commercial agencies in relation to the Company's purposes;
9) managing, marketing, and offering technology projects of the Company or third parties inside and outside the Kingdom;
10) providing all technology development, marketing, and investment activities and services;
11) providing technology project management services and execution services;
12) providing technology development, marketing, and investment training;
13) investing inside and outside the Kingdom in technology companies and projects;
14) attracting local and foreign investments to participate in any of the Company's activities; and
15) providing specialized consultation in the business of information technology and security, communications, electronic businesses, and exchanging credit information.

The Company undertakes its activities on a commercial basis, in accordance with the applicable laws, and after obtaining the necessary licenses from the relevant authorities, if any.

b) Term of the Company

The Company's term is fifty (50) Gregorian years, starting from the date of the issuance of Royal Decree No. M/90, dated 03/11/1428H, converting it into a joint stock company. This term may always be extended by a resolution issued by the Extraordinary General Assembly at least one year before the end of the Company's term.

c) Head office of the Company

The head office of the Company is located in the city of Riyadh in the Kingdom. Under a resolution of the Company's Board of Directors, Company branches, offices or agencies may be established inside or outside the Kingdom.

d) Participation and ownership in companies

The Company may on its own, establish limited liability or closed joint stock companies. It may also have an interest or participate in any way on a commercial basis with public and private bodies, institutions, funds, and investment portfolios and invest therein, and it may also subscribe to securities in any public or private offering, own shares and stocks in other companies existing inside or outside the Kingdom or merge with them. The Company also has the right to participate with others in establishing joint stock or limited liability companies, whether inside or outside the Kingdom, after satisfying the requirements of the applicable laws and instructions. The Company may also dispose of such shares or stocks, provided that such disposal does not include brokerage.

12-5-2 Administrative and supervisory affairs of the Company and its supervisory committees

a) Composition of the Board of Directors

The Company shall be managed by a board of directors consisting of nine (9) directors elected by the Ordinary General Assembly of shareholders for a period not exceeding three (3) years. The Ordinary General Assembly may re-elect the members of the Board of Directors for a similar term, and each shareholder may nominate themselves or one or more persons for membership on the Board of Directors, in proportion to their shareholding in the Company's capital. The Board appoints from among its members a chairman and a vice-chairman. and may specify the powers and responsibilities of each in a manner that does not conflict with the Company's Bylaws and other related regulations. It is prohibited to hold, at the same time, the position of chairman and any other executive position in the Company.

b) Termination of Board of Membership

1) Membership on the Board shall be terminated at the end of its term upon the expiration of the appointment period or throughthe disqualification of a member pursuant to applicable laws or regulations in the Kingdom. However, the Ordinary General Assembly may, at any time, remove all or any of the Board members, without prejudice to the dismissed director's right to claim compensation if the dismissal occurs for an unacceptable reason or at an inappropriate time. Directors may resign, provided that it is at an appropriate time. Otherwise, the director will be liable to the Company for the damages resulting from the resignment.
2) The Ordinary General Assembly may, at the recommendation of the Board, terminate the membership of a director who does not attend, without a legitimate excuse, three consecutive Board meetings.

c) Vacant positions on the Board

1) If the position of a director becomes vacant, the Board may appoint a member in the vacant position temporarily, provided that the director has sufficient experience and competence. The Ministry of Commerce and the competent authority must be notified of such appointment within five working days from the appointment date. Such appointment is put forward before the next Ordinary General Assembly and the new director shall complete the term of his/her predecessor.
2) In case the number of directors falls below the quorum required for the proper convening of Board meetings, the remaining directors shall call a meeting of the Ordinary General Assembly within sixty days to elect the required number of directors.

d) Powers of the Board

Without prejudice to the powers prescribed for the General Assembly, the Board shall have the broadest powers and authorities in managing the Company, handling its affairs, and carrying out all deeds and actions to achieve the Company's objectives, except for such deeds or actions exempted under a special provision of the Companies Law or the Company's Bylaws that fall within the competence of the General Assembly, provided that the Ordinary General Assembly does not issue a resolution restricting the powers of the Board with respect to a specific issue. The Board may also, within the limits of its authorities, delegate one or more Directors or third parties to carry out a specific function or functions . In performing its duties, the Board may undertake, without limitation, the following:

1) Contracting loans with terms not exceeding the end of the Company's term, provided that:

   a. in its decision, the Board determines the usage of these loans and the manner of their repayment; and

   b. the Board takes into account, that the conditions of the loans and guarantees provided to the Company do not negatively affect the Company, its shareholders, or the general guarantees of creditors.

2) Issue new shares for the instruments or sukuk whose holders request their conversion, upon the expiration of the conversion request period set for the holders of such instruments or sukuk as previously approved by the Extraordinary General Assembly. In this regard, the Board may take all necessary measures to amend the Company's bylaws with respect to the number of issued shares and the capital, including the publication of the completion of the procedures for each capital increase in the manner set out in the Companies Law for the publication of the Extraordinary General Assembly's resolutions.

3) The right to purchase and accept purchases; pay the price, mortgage assets, real estate, and movable property of the Company, its subsidiaries, and its entities; discharge of mortgage, sell, vacate, and collect the price, and deliver appraiser, provided that the Board specifies in its decision the reasons and justifications for the aforementioned actions, and that the price of the sold asset is approximate to the price of a similar asset, and is determined according to established accounting principles. The price must not be deferred except in cases of necessity and with adequate guarantees, and the Company or its subsidiaries, shall not be negatively affected, have some of their actions suspended, or bear other obligations due to the conditions of sale or mortgage.

4) The right to of conciliation, assignment, contracting, commitment, association, litigation, collection of debts of the Company or its Subsidiaries, and acceptance of conciliation and arbitration.

5) The right to acquit debtors of the Company or its subsidiaries of their obligations in accordance with the interests of the Company and in line with the accounting standards used in the event of debt write off, provided that the Board's report include the reasons for its decision, subject to the following conditions:

   a. the acquittal shall be after the lapse of a full year from the commencement of the debt as a minimum;

   b. the acquittal shall be for a specified amount, as a maximum, for each year for each debtor; and

   c. acquittal is a right of the Board and cannot be delegated.

6) Approving the general internal regulations of the Company or its subsidiaries, including the financial and administrative regulations and the regulations related to employees of the Company or subsidiaries. The CEO of the Company has the authority to approve the Company's internal policies and procedures in a manner that does not contradict the resolutions of the Board and the General Assembly or the general regulations approved by them.

7) Opening and closing bank accounts and investment accounts in asset management companies in the name of the Company or its subsidiaries, inside or outside the Kingdom, and investing and managing their funds.

8) Establishing subsidiaries and participating in companies, signing articles of association of subsidiaries or companies in which the Company and other companies have shares, and signing decisions to amend their contracts, including signing the amendment of management clauses and appointing and dismissing managers in them, before the notary and other parties, in accordance with the interest of the Company.

9) Forming permanent and temporary committees emanating from the Board, with the exception of the Audit Committee. The Board may approve the charters of the Board's permanent and temporary committees, with the exception of the Charters of the Audit Committee and the Nomination and Remuneration Committee.

10) Appointing and dismissing the Chief Executive Officer and the Deputy Chief financial Officer, and defining their functions, duties and financial rights.

11) Contracting with consultants and natural and legal persons and determining the scope of their work, duties. and financial rights.

12) Insuring the Company's fixed and movable property.

13) Delegating its Chairman or one or more of its members or others to carry out a specific function or functions that fall within the limits of its powers.

e) Powers of the Chairman, Vice Chairman, Secretary, and Chief Executive Officer (CEO)

1) The Board shall appoint from its members a Chairman and a Vice Chairman and may appoint a Managing Director. It is prohibited to hold the position of Chairman and any other executive position in the Company at the same time. The Chairman is responsible for the following:

   a. Presiding over and calling for meetings of the Board of Directors and chairing the meetings of the Ordinary and Extraordinary General Assemblies.

   b. Representing the Company in its relations with third parties, government departments, companies, and individuals, before courts of all degrees and categories and the notary, the Board of Grievances, offices for adjudicating commercial bills disputes, arbitration authorities, and the chambers of commerce and industry. For such purposes, the Chairman has the right to plead and defend the Company, provide evidence and documents, conclude reconciliation, assignment, acquittal, denial, approval, right to request an oath, delivery of judgments and appeal, and enforcement of judgements. The Chairman has the right to sign contracts for the establishment of companies by the Company or which it participates in its establishment, and to sign decisions to liquidate it, or decisions to amend its articles of association, including management clauses, appointing and dismissing managers, and other decisions, contracts, sukuk, and vacating before the notary and official and private authorities, signing contracts, loan agreements, and other financial agreements, mortgages, and leases, and sign agreements for opening and closing accounts in banks, asset management institutions, and investment companies in public and private securities, inside and outside the Kingdom. The Chairman has the right to grant power of attorney or delegate other members of the Board or in carrying out an act or acts within his authority.

2) The Vice Chairman represents the Chairman and is granted his authorities in the event of his absence.

3) The Board shall appoint a Secretary from among its directors or others and determine 'his/her duties and remuneration provided that it does not conflict with the Bylaws and other relevant regulations. The Secretary shall record the proceedings and resolutions of the Board in meeting minutes to be signed him/her and the members of the board that are present, and recording them in a special register prepared for this purpose signed by the Chairman and the Secretary, and communicating the decisions of the Board to the competent departments of the Company for their implementation, as well as any other duties assigned by the Board to the Secretary. The term of membership of the Chairman, Vice Chairman, and the Secretary, if a member of the Board, may not exceed the term of their membership in the Board, and may be reappointed. The Board may at any time dismiss all or any of them without prejudice to the right of the dismissed member to claim compensation if such dismissal is for an unjustifiable reason or occurs at an unreasonable time.

f) Remuneration of Board and Board committee members

Remuneration of Board members consists of a certain amount, attendance allowance for meetings, benefits in-kind, or a certain percentage of the net profits. Two or more of these benefits may be combined and the Chairman, Vice Chairman, and the Secretary may receive remuneration determined by the Board, in addition to the remuneration specified for Board members, provided that the Board, while determining and disbursing the remuneration received by its members, takes into account the regulations and controls issued in this regard. The report of the Board submitted to the Ordinary General Assembly shall include a comprehensive statement of all remuneration, expense allowances, and other benefits the members of the Board received during the fiscal year and it shall also include a statement of the remuneration received by the Board members in their capacities as officers or administrators or for technical or administrative works or consultancies. The report shall also contain a statement of the number of Board meetings held and the number of meetings attended by each member from the date of the last meeting of the Ordinary General Assembly.

g) Board meetings

The Board convenes upon the invitation of its Chairman whenever the interest of the Company so requires, provided that the Board holds no less than two meetings annually. The invitation must include the agenda and the documents related to the meeting. The Chairman must convene a meeting whenever requested by two (2) of its members. The invitation may be delivered by hand, mail, fax, email, or any other means the Board deems appropriate. The Board shall hold its meetings at the Company's head office or any other place. The Board may invite anyone it deems appropriate to attend its meetings to provide assistance without having the right to vote. Board meetings may be held and Board members may participate in deliberations and vote on resolutions via modern technologies, taking into account the controls governing such.

h) Board quorum

Meetings of the Board shall only be legal if attended by at least half of its members, provided that the number of attendees is not less than five (5) members, and provided that these include the Chairman, or the Vice Chairman, or a member delegated by the Chairman in writing to preside the Board meeting. Members of the Board may delegate other members to attend the Board's meetings on their behalf in accordance with the following controls:

1) A member of the Board may not represent more than one member in attending the same meeting.
2) The proxy must be established in writing or in an electronic form from the address of the delegating member to the verified email of the Chairman and the Secretary of the Board before the meeting.
3) A representative member may not vote on resolutions that the Company's Bylaws prevent the delegating member from voting on.

i) Board deliberations

The Board's resolutions shall be passed by the majority of the votes of the members present or represented therein. In the event of a tie, the Chairman shall have the casting vote.

The deliberations and resolutions of the Board shall be recorded in meeting minutes signed by the Chairman, the members of the Board present, and the Secretary and shall be recorded in a special register signed by the Chairman and the Secretary.

The Board may issue resolutions on urgent matters by submitting them to the Directors separately, unless one of the Directors requests in writing a meeting to deliberate. These resolutions shall be presented to the Board at its next meeting for ratification.

j) Audit Committee

An audit committee shall be formed by a resolution of the Ordinary General Assembly from among the non-executive Directors whether shareholders or others. The Audit Committee shall consist of not less than three (3) nor more than five (5) members. The resolution shall determine the Audit Committee's duties, guidelines, and remuneration of its members.

k) Quorum of the Audit Committee

Quorum for meetings of the Audit Committee shall be met by the attendance of the majority of its members, its decisions shall be passed by the majority of the votes present. In the event of a tie, the chair of the meeting shall have a casting vote.

l) Competencies of the Audit Committee

The Audit Committee shall supervise the Company's activities, and to this end, it shall be entitled to access the Company's records and documents and request any clarification or statement from the Directors or the executive management. It may ask the Board of Directors to convene the Company's General Assembly if the Board of Directors obstructs its work or if the Company sustains material damage or loss.

m) Reports of the Audit Committee

The Audit Committee shall review the Company's financial statements, reports, and notes submitted by the auditor and shall provide its opinion thereon, if any. The Committee shall also prepare a report including its opinion on the efficiency of the Company's internal audit system and the other activities it performed within its scope. The Board shall keep sufficient copies of the Committee's report at the Company's head office at least twenty-one (21) days prior to the date the General Assembly convenes to provide any interested shareholder with a copy of the report. Such report shall be read out at the General Assembly meeting.

n) Appointment of the Auditor

The Company shall have one auditor (or more) from among the auditors licensed to work in the Kingdom. The auditor shall be appointed by the Ordinary General Assembly, which shall determine their remuneration and term of office. The Ordinary General Assembly may re-appoint the same auditor, provided that the auditor's total terms of office does not exceed five (5) consecutive years. An auditor who has finished such term may be re-appointed after the lapse of two years from the date such term expired. The Assembly may also, at all times, change the auditor without prejudice to their right to claim compensation if the change occurred at an unreasonable time or for an unjustifiable reason.

o) Powers of the Auditor

The auditor may, at any time, have access to the books and records of the Company and any other documents, may ask for any statements or clarifications they deem necessary to verify the assets and liabilities of the Company, and may perform any other function within the scope of their work. The Chairman of the Board shall enable the auditor to perform their duties. If the auditor faces any difficulty in this regard, they shall state that fact in a report to be submitted to the Board. If the Board does not facilitate the job of the auditor, the auditor shall ask the Board to call for a meeting of the Ordinary General Assembly to consider the issue. The auditor shall present to the annual Ordinary General Assembly a report prepared in accordance with generally accepted auditing standards, stating the extent to which the Company has enabled it to obtain the information and clarifications it has requested, any violations of the Companies Law or the Company's Bylaws that it has discovered, and its opinion as to whether the Company's financial statements are fair. The auditor shall read out its report before the General Assembly. If the General Assembly resolves to approve the Board's report and the financial statements without listening to the auditor's report, its decision shall be null.

p) Financial Year

The Company's financial year shall be twelve (12) Gregorian months, and it shall commence on 1 January and end on 31 December of the same year

q) Financial Documents

1) At the end of each financial year, the Board of Directors shall prepare the Company's financial statements, a report on its activities and its financial position for the preceding financial year, and its proposals as to method for distributing the profits. The Board of Directors shall put such documents at the auditor's disposal at least forty-five (45) days prior to the time set for convening the General Assembly.
2) The documents referred to in paragraph (1) above must be signed by the Company's Chairman, CEO, and CFO, and a copy thereof made available at the Company's head office for the shareholders' review at least twenty-one (21) days prior to the date set for convening the General Assembly.
3) The Chairman shall provide the shareholders with the Company's financial statements, the Board of Directors' report, and the auditor's report, unless such documents are published in a daily newspaper circulated in the Company's head office. It shall further send copies of such documents to the Ministry of Commerce and the competent authorities at least fifteen (15) days prior to the date set for convening the General Assembly.

12-5-3 Rights and restrictions related to securities

a) The Company's share capital

The share capital of the Company is eight hundred million (800,000,000) Saudi Riyals, divided into eighty million (80,000,000) shares having an equal nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary shares, consisting of thirty-eight million, three hundred thirty-three thousand, two hundred and five (38,333,205) cash shares, and forty-one million, six hundred sixty-six thousand, seven hundred and ninety-five (41,666,795) in kind shares.

b) Subscription to Shares

The shareholders have subscribed to the entire share capital and have paid its value in full.

c) Shareholder Register

Company shares shall be transferred by being recorded in a shareholder register prepared, or contracted to be prepared, by the Company. Such register contains the names, nationalities, places of residence, occupations of shareholders, the serial number of the shares and the paid-up portion thereof. An annotation of such recording shall be made on the certificate. The transfer of title of record to a share shall not be effective vis-à-vis the Company or any third party except the date of such recording in the said register.

d) Transfer of Shares

The Company may, after obtaining the approval of the Extraordinary General Assembly, and at the appropriate time, offer its shares, in whole or in part, for public offering in accordance with the Capital Market Law ("**CML**"). In line of any resolution made in this regard, the Company shall perform all regulatory actions required for the public subscription, including any amendments required to the Bylaws.

Shares subscribed by the founders may not be transferred before the financial statements for two complete financial years of not less than twelve months each from the date of the Company's incorporation are published. The certificates of these shares shall be marked indicating their type, the date of the Company's incorporation, and the period during which the transfer shall be prohibited. However, during the lock-up period, it is permissible to transfer ownership of the shares in accordance with the provisions on selling rights from one founder to another, or from the heirs of one founders - in the event of his death - to third parties, or in the event of enforcement against the funds of an insolvent or bankrupt founder, provided that the other founding shareholders shall have a pre-emptive right to acquire such shares. These provisions also apply to shares subscribed by the founding shareholders as a result of a capital increase if the subscription occurred during the lock-up period.

e) Buy-back, sale, or pledge of shares by the Company

1) The Company may buy-back its ordinary or preferred shares, subject to the approval of the Extraordinary General Assembly, and in accordance with the applicable regulations set out by the Ministry of Commerce and the competent authority in this regard. Shares bought back by the Company shall have no votes in shareholders general assemblies.

2) The Company may buy-back its shares to use them as treasury shares in accordance with the purposes and rules determined by the Ministry of Commerce and the competent authority. The Company may buy-back its shares to decrease its capital, subject to the provisions of Articles 145 and 148 of the Companies Law. The Company may buy-back its shares to allocate them to its employees as part of an employee share scheme, provided that the Company satisfies - in addition to other rules pertaining to the buy-back of its shares - the conditions set by the Ministry of Commerce and the competent authority in this regard, and after obtaining the Extraordinary General Assembly's approval on the employee share scheme. Further, the Extraordinary General Assembly may delegate the Company's Board to set the conditions of this scheme, including the allocation price per share offered to the employee, if it is allocated against payment.

3) The Company may sell treasury shares in one or several phases in accordance with the requirements set out by the Ministry of Commerce and the competent authority, subject to the approval of the Company's Board of Directors on the sale of treasury shares, and without prejudice to the Extraordinary General Assembly's resolution approving the purchase of such shares. The Company's shareholders shall - at the time of the Board of Directors' resolution to sell treasury shares for cash consideration - have the pre-emptive right to buy the shares 'pro-rata to their current shareholding within the period specified in the resolution.

4) Anyone who has the right to own shares of the Company's, or hold on behalf of third party, may pledge them in accordance with the rules set by the Ministry of Commerce and the competent authority. The pledgee creditor shall have the right to receive dividends and enjoy all rights attached to the share, unless agreed otherwise in the pledge contract. However, the pledgee creditor may not attend, or vote in, shareholder General Assembly meetings. The Company may pledge its shares as security for a debt, in accordance with the rules set by the competent authority, subject to the Ordinary General Assembly's approval of the pledge.

f) Issuance, transfer, and conversion of debt instruments and financing deeds by the Company

In accordance with Sahri'ah rules in respect of debt, the Company may issue, in accordance with the Capital Market Law, tradeable debt instruments and bonds. However, the Company may not issue convertible debt instruments or bonds, unless it obtains the approval of its Extraordinary General Assembly specifying the maximum number of shares permitted to be issued against such instruments or bonds and whether they will be issued in one or more issuance, or through one or more programs to issue debt instruments or bonds. The Board shall, without need for further approval from the Extraordinary General Assembly, issue new shares against these instruments or bonds whose holders request their conversion, immediately upon the expiry of the conversion request period set for the holders of these instruments or bonds. The Board shall take the necessary actions to amend the Company's Bylaws with regard to the number of shares issued and the capital. The Board shall announce the completion of procedures of each capital increase in accordance with the requirements of the Companies Law for announcing resolutions of the Extraordinary General Assembly.

g) Distribution of Profits

Subject to the provisions of other relevant laws, the Company's annual net profits shall be distributed as follows:

1) Ten percent (10%) of the net profits shall be set aside to form the Company's statutory reserve. This may be discontinued by the Ordinary General Assembly when said reserve reaches 30% of the paid-up capital.

2) The Ordinary General Assembly may, based on a proposal by the Board, set aside a specific percentage of the net profits to form additional conventional reserves to be allocated for certain purposes.

3) The Ordinary General Assembly may - when determining the portion of the shares in the net profits - decide to form other reserves to the extent that this serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to shareholders. The Assembly may also deduct amounts from the net profits to establish social institutions or funds for the Company's employees or to assist existing institutions or funds.

4) The General Assembly may, based on a proposal by the Board, distribute the remaining amount as dividends to the shareholders.

5) The Company may distribute dividends or interim dividends among its shareholders after fulfilling the regulatory requirements in this regard.

6) Subject to the provisions of Article 22 of these Bylaws, and Article 76 of the Companies Law, the General Assembly may allocate the remainder of the above dividends to the Board of Directors, provided that the remuneration is commensurate with the number of meetings attended by the member, if the remuneration is a percentage of the profits.

h) Entitlement to Dividends

Shareholder are entitled to receive their share of dividends in accordance with the resolution of the General Assembly in this respect. The resolution shall specify the entitlement date and the distribution date. Shareholders registered in the shareholder registers shall be entitled to dividends at the end of the entitlement date. The Board of Directors must execute the Ordinary General Assembly's decision concerning the distribution of dividends to shareholders in accordance with the regulatory rules issued in this regard.

i) Distribution of Dividends for Preferred Shares

1) If no dividends are distributed for any financial year, no dividends may be distributed for the following years until the percentage specified in Article 114 of the Companies Law has been paid to the holders of preferred shares for that year.

2) If the Company fails to pay the specified percentage in Article 114 of the Companies Law for three (3) consecutive years, the private assembly of holders of preferred shares, convened pursuant to Article 89 of the Companies Law, may resolve either to attend the meetings of the Company's General Assembly and to participate in voting or appoint representatives thereof at the Board in proportion with the value of their shares in the capital, until the Company pays all priority dividends allocated for holders of such shares for the previous years.

j) Liability Claims

Each shareholder has the right to file a liability action, vested in the Company, against the Directors if they committed an error which has caused special damage to the shareholder. Shareholders may only file said action provided that the Company's right to file such action is still valid. The shareholder must inform the Company of their intent to file the action, and the right to file the action shall be limited to claiming compensation for the special damage sustained by the respective shareholder.

12-5-4 Amendment of Share Rights or Classes

a) Preferred Shares

The Company's Extraordinary General Assembly may, pursuant to the rules set by the Ministry of Commerce and the competent authorities, issue preferred shares, decide to purchase such shares, convert ordinary shares into preferred shares, or convert preferred shares into ordinary shares. Preferred shares shall have no voting rights in shareholder General Assemblies. Such shares shall entitle their holders to receive a higher percentage of the Company's net profits than ordinary shareholders after setting aside the statutory reserve. Without prejudice to the foregoing, the Extraordinary General Assembly may set additional terms and conditions in relation to the preferred shares.

b) Sale of non Paid-up Shares

Shareholders shall pay the share value on the specified dates. If a shareholder fails to pay on the due date, the Board may, after notifying the shareholder by registered mail sent to their address as recorded in the shareholder register, sell such share in a public auction or in the capital market, as the case may be, in accordance with the rules set by the competent authorities. However, a defaulting shareholder may, up to the auction date, pay the amount due in addition to any expenses incurred by the Company. The Company shall collect the amounts due thereto from the sale proceeds and shall return any remaining amount to the shareholder. If the sale proceeds are insufficient to cover these amounts, the Company shall have a claim on all of the shareholder's funds for the unpaid amount. The Company shall cancel the sold share pursuant to the provisions of this article, give the purchaser a new share bearing the serial number of the cancelled share. An annotation to this effect shall be made in the share register specifying the name of the new owner.

c) Issuance of Shares

The shares shall be nominal, and may not be issued less than their nominal value. However, they may be issued for a value higher than their nominal value, and in the latter case, the difference in value shall be added in a separate item within the shareholder rights and may not be distributed to shareholders as dividends. A share is indivisible before the Company. If a share is owned by multiple persons, they must select one of them to represent them in exercising the rights attached to the share. These persons shall be jointly liable for the obligations arising from share ownership. The above provisions shall apply to the temporary certificates delivered to shareholders prior to the issuance of shares.

d) Capital Increase

a. The Extraordinary General Assembly may decide to increase the Company's capital, provided that the capital has been fully paid up. The capital is not required to be fully paid up if the unpaid portion of the capital relates to shares issued in exchange for tradeable debt instruments or bonds and the prescribed period for conversion has not expired yet.

b. The Company's Extraordinary General Assembly may, in all cases, allocate all or part of the shares issued for a capital increase to employees of the Company and/or all or some of its subsidiaries. Shareholders may not exercise pre-emptive rights when the Company issues shares allocated to employees.

c. Upon the Extraordinary General Assembly's issuance of a resolution approving a capital increase, shareholders will be entitled to a pre-emptive right to subscribe to the new shares issued against cash contributions. Such shareholders shall be informed of their pre-emptive right by publishing a notice in a daily newspaper or by notifying them through registered mail of the capital increase resolution as well as the conditions, duration, and commencement and expiry date of the subscription.

d. The Extraordinary General Assembly may suspend the pre-emptive right vested in shareholders to subscribe to the capital increase against cash contributions or may vest such right in persons other than the shareholders in cases it deems appropriate for the Company's interest.

e. Shareholders may sell or assign the pre-emptive right during the period from the date the General Assembly resolution approving the capital increase is adopted until the last day of subscription to the new shares related to such right, in accordance with the rules set by the competent authority.

f. Subject to paragraph (d) above, the new shares shall be distributed to holders of pre-emptive rights who requested subscription proportionate to their pre-emptive right of the total pre-emptive rights resulting from the capital increase, provided that the shares they receive do not exceed the amount of new shares they requested. The remainder of the new shares shall be distributed to holders of pre-emptive right who requested more than their respective shares proportionate to their pre-emptive right of the total pre-emptive rights resulting from the capital increase, provided that the shares they receive do not exceed the amount of new shares they requested. The remaining shares shall be offered to third parties, unless the Extraordinary General Assembly decides or the CML provides otherwise.

g. The provisions for evaluating in-kind contributions presented upon the incorporation of the Company shall apply to the shares issued in exchange to in-kind contributions when the capital is increased, and in this respect, the Ordinary General Assembly shall act as the constituent assembly.

e) Capital Reduction

The Extraordinary General Assembly may decide to reduce the capital if it exceeds the Company's needs or if the Company incurs losses. Only in the latter case, the capital may be reduced below the limit stipulated in Article 54 of the Companies Law. Such resolution shall only be issued after reading the auditor's report regarding the reasons requiring such reduction, the Company's liabilities, and the impact of the reduction on such liabilities. If the capital reduction is a result of the capital being in excess of the Company's need, creditors shall be invited to express their objection within sixty (60) days as of the date on which the reduction resolution is published in a daily newspaper distributed in the area in which the head office of the Company is located. If a creditor objects and submits to the Company their documents within said deadline, the Company shall repay their debt if it is payable or provide a sufficient payment guarantee if it is deferred.

12-5-5 General Assemblies

a) Assembly Attendance

Each Subscriber, regardless of the number of their shares, shall have the right to attend the Constituent Assembly. Each shareholder shall have the right to attend General Assembly meetings and may delegate a person other than members of the Board or the Company's employees to attend the General Assembly meeting on their behalf. Shareholders may attend General and Special Assembly meetings, participate in deliberations, and vote on resolutions. Shareholders shall have the right to review the agendas of such meetings and related documents by means of modern technology, in accordance with the controls set by the Ministry of Commerce and the competent authorities in this regard.

b) Constituent General Assembly

The founders shall call all Subscribers to hold a Constituent General Assembly meeting within forty-five (45) days as of the date on which the subscription to shares is closed. In order for the meeting to be valid, a number of Subscribers representing at least half of the share capital must be present. If such quorum is not met, the second meeting shall be held one hour after the expiry of the time limit set for convening the first meeting, provided that the invitation for the first meeting states such. In all cases, the second meeting shall be valid regardless of the number of Subscribers represented in it.

c) Powers of the Constituent Assembly

The Constituent Assembly shall powers set out in Article 63 of the Companies Law.

d) Powers of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters related to the Company. It shall convene at least once a year during the six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called as the need arises.

e) Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the Company's Bylaws, except for the provisions which it is prohibited to amend by law. In addition, it shall have the right to issue resolutions regarding matters which originally fall within the powers of the Ordinary General Assembly under the same situations and conditions..

f) Manner of Convening the General Assembly

General and Special Assembly meetings shall be convened by a call from the Board of Directors in accordance with the conditions stipulated in the Bylaws, the Companies Law, and the controls set by the Ministry of Commerce and the competent authorities in this regard. The Board of Directors shall call for an Ordinary General Assembly meeting if so requested by the auditor, the Audit Committee, or a number of shareholders representing at least 5% of the capital. The auditor may call for a General Assembly meeting if the Board of Directors fails to do so within (30) thirty days as of the date on which a request is submitted by the auditor.

The invitation to the General Assembly shall be published in a daily newspaper distributed in the area in which the Company's head office is located, or by means of modern technology at least twenty-one (21) days before the date of the meeting. However, it may be sufficient to send the invitation on the aforementioned date to all shareholders by registered letter. A copy of the invitation and agenda shall be sent to the Ministry of Commerce and the competent authorities within the period specified for publication.

g) General Assembly Attendance Register

Shareholders who wish to attend General or Special Assembly meetings shall register their names at the place in which the meeting shall convene before the specified time. Alternatively, they may register through electronic means as specified by the Company in the invitation to the meeting.

h) Quorum of the Ordinary General Assembly

Meetings of the Ordinary General Assembly shall only be deemed valid if attended by shareholders representing at least half (50%) of the capital. If such quorum is not met, another meeting shall be called within (30) thirty days following the previous meeting. The invitation shall be sent in the manner stipulated in Article 32 of the Bylaws. However, the second meeting may be held one hour after the expiry of the time limit set for convening the first meeting, provided that the invitation for the first meeting states such. In all cases, the second meeting shall be deemed duly convened whatever the number of shares represented therein.

i) Quorum of the Extraordinary General Assembly

Meetings of the Extraordinary General Assembly shall only be deemed valid if attended by shareholders representing at least half (50%) of the capital. If such quorum is not met, another meeting shall be called within (30) thirty days following the previous meeting. The invitation shall be made in the manner set out in Article 32 of the Bylaws. However, the second meeting may be held one hour after the expiry of the time limit set for convening the first meeting, provided that the invitation for the first meeting states such. The second meeting shall be deemed duly convened if it is attended by shareholders representing at least one quarter (25%) of the capital. If the quorum for the second meeting is not met, a third meeting shall be called under the same conditions set out in Article 32 of the Bylaws. The third meeting shall be deemed duly convened whatever the number of shares represented therein, after obtaining the approval of the competent authority.

j) Voting at Assemblies

Each shareholder shall have a vote for every share they represent in the General Assembly meetings. Cumulative voting shall be used in electing the Board of Directors. Shareholders may delegate a person other than members of the Board or the Company's employees to attend General Assembly meetings on their behalf. The Company may allow shareholders to vote on the matters contained in the agendas of the General and Special Assembly meetings through electronic means, even if they do not attend such meetings, in accordance with the controls set by the Ministry of Commerce and the competent authorities in this regard.

k) Assembly Resolutions

Resolutions of the Constituent Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by two-thirds majority of the shares represented at the meeting. However, if the resolution is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company before the end of the term specified in its Bylaws, or its merger with another company, then such resolution shall be only valid if it adopted by a three-quarters majority of the shares represented at the meeting.

l) Assembly Deliberations

Each shareholder shall have the right to discuss the items listed on the agenda and ask Directors and the auditor questions about them. The Directors or the auditor shall answer the shareholders' questions to the extent that such does not negatively affect the Company's interest. If a shareholder believes that the answer to their question is not convincing, then such Shareholder may refer the issue to the Assembly and its decision in this regard shall be conclusive.

m) Assembly Chairmanship and Minutes

Meetings of the General Assembly shall be presided over by the Chairman, the Vice Chairman in the absence of the Chairman, or a Director delegated by the Board in the event the Chairman and the Vice Chairman are absent. Minutes of the General Assembly meeting that include the names of the shareholders present or represented, the number of shares they hold in person or by proxy, the number of votes, the resolutions adopted, the resolutions approved or rejected, and an executive summary of the deliberations that took place at the meeting, shall be recorded. Minutes shall be regularly recorded after each meeting in a special register signed by the Chairman of the General Assembly, the Secretary, and the canvasser.

12-5-6 Liquidation and Dissolution of the Company

a) Company Losses

1) If the Company's losses amount to half of the paid-up capital at any time during the financial year, any of the Company's officers or the auditor shall, immediately upon becoming aware of such, notify the Chairman, who in turn shall immediately inform the Board. The Board shall, within (15) fifteen days of the date on which it becomes aware of the losses, convene an Extraordinary General Assembly within (45) forty-five days from the date it becomes aware of the losses; to either increase or decrease the Company's capital in accordance with provisions of the Companies Law, to the extent that the losses are reduced to less than half of the paid-up capital, or to dissolve the Company before the expiry of its term according to the Bylaws.
2) The Company shall be deemed dissolved by operation of the Companies Law if the Extraordinary General Assembly fails to convene within the period specified in paragraph (1) of this Article, or if it convenes but fails to issue a resolution in this regard, or if it decides to increase the capital in accordance with the conditions stipulated in this Article and the capital is not subscribed to in full within ninety (90) days of said resolution.

b) Winding-Up of the Company

Upon expiry of the Company, it shall enter into a liquidation period during which it shall maintain its legal personality to the extent necessary for liquidation. A resolution for optional liquidation may be adopted by the Extraordinary General Assembly. The liquidation resolution shall include the appointment of a liquidator and shall specify their powers, fees, restrictions imposed on their powers, and the period required for liquidation. The term of optional liquidation shall not exceed five years, and it may not be extended beyond that except by a judicial order. The powers of the Board shall end upon the dissolution of the Company; however, it shall continue to manage the Company and act as a liquidator until the liquidator is appointed. During the liquidation period, the shareholders' assemblies shall continue to exercise their powers to the extent that it does not conflict with the powers of the liquidator.

12-6 Material Agreements

The Company and its subsidiaries have entered into a number of material agreements and contracts with a number of parties. This section provides a summary of the agreements and contracts that the Directors believe are material in relation to the Company's business or that may affect investors' decisions to subscribe to the Offer Shares. The summary of the agreements and contracts set out below does not include all terms and conditions and cannot be deemed a substitute for the terms and conditions contained in those agreements. It should be noted that certain details of the agreements mentioned in the section have not been summarized due to the confidentiality or sensitivity of such details.

12-6-1 Government Data Agreements

The Company has entered into a number of agreements with several government entities, pursuant to which the Company is granted the right to access and use the data and information available with the relevant government entities. None of these agreements contain any exclusive arrangements between its parties. Following is a summary of such agreements:

a) Data and Information Resources Development Agreement

The Company entered into a Data and Information Resources Development Agreement with a government entity on 24/1/1429H (corresponding to 02/02/2008G), which was amended on 30/12/1429H (corresponding to 27/12/2008G), 09/01/1430H (corresponding to 06/01/2009G), and 07/02/1430H (corresponding to 02/02/2009G). Pursuant to this agreement, the Company has the right to access the information held by the government entity in accordance with the privacy controls approved by the government entity. The Company is also committed to providing the necessary human resources to increase the efficiency of data and information. This agreement does not contain any exclusive arrangements between the parties.

It is worth noting that the Company is in the process of signing a new agreement with the concerned government entities to develop data and information resources, which is expected to replace this agreement. As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set.

b) Memorandum of Understanding entered into with a government entity

The Company entered into a Memorandum of Understanding with a government entity on 10/03/1436H (corresponding to 01/01/2015G), pursuant to which the government entity shall implement all the Company's requirements regarding the support, operation, and maintenance of the entity's operational systems on which the Company relies to provide its services. Pursuant to the Memorandum of Understanding, the Company shall, in accordance with its internal policy and procedures, grant employees access to the data uploaded to the public database (PDS) and the joint servers which operate the Company's products and services, provided that the employees are Saudi nationals and work at the Company's headquarters. This agreement does not contain any exclusive arrangements between the parties.

The term of this Memorandum of Understanding is one calendar year as of 10/03/1436H (corresponding to 01/01/2015G). It shall be automatically renewed for a similar period unless either party notifies the other of its desire not to renew the Memorandum before the expiry of its term.

The Memorandum of Understanding stipulates that two committees shall be formed, consisting of two representatives of both parties, for the purpose of coordinated follow-up on systems support and service level.

The Memorandum of Understanding contains confidentiality clauses under which the parties shall maintain the confidentiality of the Memorandum and shall not disclose it to the public.

It is worth noting that the Company is in the process of signing a new agreement with the concerned government entities to develop data and information resources, which is expected to replace this Memorandum. As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set.

c) Memorandum of Understanding (2) entered into with a government entity

The Company entered into a Memorandum of Understanding (2) with a government entity on 28/05/1436H (corresponding to 19/03/2015G), whereby the government entity shall provide direct support and develop and modify the Company's application programs in accordance with the development service level appendix, in order to support the Company in providing appropriate services to its clients. This agreement does not contain any exclusive arrangements between the parties.

This Memorandum is effective as of 10/03/1436H (corresponding to 01/01/2015G). If either party does not wish to renew the Memorandum, it shall notify the other party in writing one month before the expiry of the Memorandum.

In return for the government entity's services, the Company shall allocate certain amounts annually to implement and provide development services related to the government entity's services.

The Memorandum of Understanding (2) contains a confidentiality clause under which the parties shall maintain the confidentiality of the Memorandum and shall not disclose it to the public.

It is worth noting that the Company is in the process of signing a new agreement with the concerned government entities to develop data and information resources, which is expected to replace this Memorandum. As at the date of this Prospectus, this agreement has not been executed and the expected date of its execution has not been set.

d) National Address Verification Service Agreement

The Company entered into an agreement with Saudi Post on 20/06/1438H (corresponding to 19/03/2017G) to develop a national address verification service and sell it commercially. Pursuant to this agreement, both parties agree to develop the national address verification service. The Saudi Post shall provide the necessary data and forms to complete the Company's services and verify the national address of customers. The information which shall be provided by the Saudi Post includes building numbers, street and neighbourhood names, and postal codes, based on the information available in the Saudi Post's database. The agreement also gives the Company the necessary powers to engage in sales and marketing activities for the national address verification service, according to joint arrangements between both parties. The Company is granted the right to sell and market the services under the agreement to customers either directly or through one of its sales partners. This agreement does not contain any exclusive arrangements between the parties.

The term of the agreement is be three (3) years, renewable for successive periods of one year each, unless either party notifies the other of its desire not to renew the agreement not less than forty-five (45) days prior to the date of the expiry of the agreement.

Either party may terminate this agreement at any time, by notifying the other party six (6) months prior to the date of termination.

The agreement contains a confidentiality clause whereby the parties undertake not to disclose, use, or exploit any information related to the agreement or related services. Either party shall not make any press release or announce any information related to the agreement or its contents to the public throughout the term of the agreement and after its expiry, except after obtaining the consent of the other party.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute which cannot be resolved amicably shall be referred to the competent judicial authorities for settlement.

12-6-2 Customer Agreements

The Company has entered into a number of agreements to provide the contracting parties with many technical solutions and services for the development and operation of Related Parties' platforms, including, but not limited to, the provision of the Tamm service, vehicle authorization issuance services, services linking medical examinations to traffic databases, and the issuance of driving licenses. Set out below is a summary of the agreements entered into by the Company with its clients:

a) Absher Agreements

1) Absher Development and Operation Agreement

The Company entered into an agreement on 07/08/1441H (corresponding to 01/04/2020G) with a government entity to develop and operate the Absher platform. Pursuant to this agreement, the Company shall develop and operate the Absher platform and assume all administrative, financial, and technical responsibilities for the implementation of the Absher platform. The Company must also provide all necessary support, software, and hardware. The Company shall, for example, but without being limited to, contract with human cadres having highly technological skills in order to support, develop, and improve the quality of information technology, and provide the hardware and all the software necessary to operate and develop the platform. The Company shall also provide marketing services in connection with the project. This agreement does not include any exclusive arrangements between the parties and shall not be exclusive with respect to the Absher platform.

The term of the agreement is sixty (60) months, as of 07/08/1441H (corresponding to 01/04/2020G). The Company's fees shall be payable based on the work completed.

All project-related and other programs and documents shall be owned by the government entity. All maps, plans, records, reports, drawings, specifications, and all other documents related to the project shall be owned by the government entity as soon as they are prepared, whether they are provided by the Company, prepared by the Company, or obtained from a third party.

The government entity shall have the right to terminate this agreement in whole or in part at any time it deems appropriate, by providing a written notice to the Company sixty (60) business days prior to the desired termination date.

The agreement contains a confidentiality clause pursuant to which the Company shall not publish any information or pictures related to the agreement activities without obtaining prior written approval from the government entity.

The agreement shall be governed by the laws and regulations in force in the Kingdom. In the event that any dispute arises between the parties and the dispute cannot be resolved amicably, it shall be referred to the Board of Grievances. The decision of the Board shall be final and binding on both parties.

2) Absher Added Value Services Agreement

The Company entered into an agreement with a government entity on 06/05/1441H (corresponding to 01/01/2020G) to operate, develop, and add value-added services to the Absher platform. The purpose of this agreement is to develop and provide value-added services within the Absher platform. Pursuant to the agreement, the Company shall develop and provide value-added services in return for a fee collected from users of such services. The agreement aims to regulate the obligations of each party in relation to the regulation, development, and operation of value-added services. This agreement does not include any exclusive arrangements between the parties and shall not be exclusive between the Company and the entity in relation to the platform.

The term of the agreement is four (4) Hijri years, renewable automatically, unless either party notifies the other of its desire not to renew the agreement not less than six (6) months prior to the date of the termination of the agreement. The agreement may be terminated at any time pursuant to a written agreement between the parties.

All data shall be hosted and stored in the entity's infrastructure, and the Company shall have no right to develop, store, use, or benefit from data or open independent services for purposes outside the scope of the service specified in the Value-Added Services Agreement for the Absher Platform.

All intellectual property rights shall remain owned by the party that owned them prior to the date of the conclusion of the agreement. Each party shall own the intellectual property developed independently of the agreement.

The agreement contains a confidentiality clause whereby both parties shall not disclose, use, or exploit any information in their possession or which they have access to or that is connected to the agreement or related services, whether directly or indirectly, whether before or after the termination of the services or the agreement.

The agreement shall be governed by the laws and regulations in force in the Kingdom. In the event that any dispute arises regarding its interpretation or execution and the dispute cannot be resolved amicably, it shall be referred to the competent judicial authority in the Kingdom.

b) Framework Agreements for the Study and Development of Several Services

The Company has entered into a number of framework agreements with certain entities for the development of value-added services. Such agreements shall not be binding on the parties thereto. None of the parties shall be bound by any obligations towards the other parties except after signing a document approving the services provided. The scope of such agreements shall be subject to what is agreed upon with each entity. The term of some of the agreements is ten (10) years. The agreements include clarification of the general framework for joint action, provided that during the term the parties study the opportunities and, if appropriate, sign an approval document for each service, which includes technical and financial details. Most of these agreements can be terminated by a notice given by any party at any time. The agreements shall be governed by the laws and regulations in force in the Kingdom. In the event that any dispute arises regarding their interpretation or execution and the dispute cannot be resolved amicably, it shall be referred to the competent judicial authority in the Kingdom.

These agreements contain confidentiality clauses whereby the parties shall not disclose, use, or exploit any information in their possession or which they have reviewed or connected to the agreements or related services, whether directly or indirectly, whether before or after the termination of the services or the agreements.

c) National Water Company Services Agreement

The Company entered into a service agreement with National Water Company on 13/03/1441H (corresponding to 10/11/2019G), whereby the Company, in partnership with National Water Company, will develop and improve the efficiency of the National Water Company's business by improving work procedures and technological solutions. The Company provides any of the services based on a signed service order, which includes the percentage of each party's shares in the revenues obtained from the services provided. This agreement does not contain any exclusive arrangements between the parties.

The term of the agreement is eight (8) years and is renewable for a similar period unless either party notifies the other of its desire not to renew three (3) months before the expiry of the agreement term.

Neither party shall bear material costs in return for the implementation of this agreement, except for those expressly agreed upon in the service order signed by the parties. The service order includes the percentage of the shares specified for each of the parties resulting from the sale of services to the beneficiaries.

Either party may terminate this agreement at any time, provided that it gives the other party a written notice at least six (6) months prior to the date of termination, taking into account the settlement of any unpaid financial dues to the other party.

The agreement is subject to the applicable laws and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of its provisions and the dispute cannot be resolved amicably, the dispute shall be referred to the competent judicial authority in the Kingdom.

A service order was entered into between the Company and National Water Company in accordance with the agreement on 23/10/1441H (corresponding to 15/06/2020G), whereby the Company will establish and develop an electronic portal to communicate with the portals of the relevant government entities in order to issue and renew permits for sewage tanks and electronic management of their entry into treatment plants.

The service order is valid from 23/10/1441H (corresponding to 15/06/2020G) and lasts for eight (8) years. It is automatically renewable unless either party provides a notice of its desire not to renew thirty (30) days prior to the date of termination.

d) General Authority of Civil Aviation Agreement

The Company entered into an agreement with the General Authority of Civil Aviation on 26/05/1438H (corresponding to 23/02/2017G), whereby the Company shall develop and operate a number of services electronically, in order to serve the beneficiaries of the services of the General Authority of Civil Aviation according to certain technical and financial arrangements.

The term of this agreement is five (5) years starting from the date of its conclusion, and is automatically renewable for a similar period unless either party provides a written notice to the other party, stating its desire not to renew at least six (6) months before the expiry of the original or renewed term. This agreement does not contain any exclusive arrangements between the parties.

Either party may terminate this agreement at any time, provided that it gives the other party a written notice at least six (6) months prior to the date of termination, taking into account the settlement of any unpaid financial dues to the other party.

All intellectual property rights for the systems the Company will create or develop to implement the services provided under this agreement will be owned by the General Authority of Civil Aviation.

The agreement contains a confidentiality clause whereby both parties shall not disclose, use, or exploit any information in their possession or which they have access to or that is connected to the agreement or related services, whether directly or indirectly, whether before or after the termination of the services or the agreement.

The agreement is subject to the applicable laws and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of its provisions and the dispute cannot be resolved amicably, the dispute shall be referred to the competent judicial authority in the Kingdom.

e) Ministry of Justice contracts and agreements

The Company has entered into four (4) contracts with the Ministry of Justice with a total value of three hundred twenty-five million, seven hundred sixty-one thousand, four hundred and seventy-four Saudi Riyals (SAR 325,761,474) to provide consulting services and carry out works. These contracts were entered into based on the terms of the standard contracts whose terms are specified in accordance with the government procurement and competition system. The Company is entitled to financial consideration in accordance with the works and services accomplished. The Ministry of Justice has the right to increase the Company's obligations by no more than 10% of the price of any contract, and it may reduce the Company's obligations by no more than 20% of the price of any contract. These contracts are subject to the laws and regulations in force in the Kingdom, and any dispute that arises from the interpretation or execution of their provisions which cannot be resolved amicably shall be referred to the Board of Grievances. The Company also entered into a number of agreements to develop a number of Ministry of Justice services and operate a service centre. In return, the Company obtains its dues and recovers its expenses from the income generated from the services.

These agreements contain confidentiality clauses under which the parties, their advisors, agents, and subcontractors undertake not to disclose any information in their possession or that has been accessed or is connected with the agreement or related services. The parties shall not disclose, publish, or advertise any information related to the agreement or its contents without obtaining the consent of the other party.

f) General Transport Authority Agreement

The Company entered into an agreement to develop and operate electronic services with the Ministry of Transport on 29/04/1437H (corresponding to 08/02/2016G), which was later transferred to the General Transport Authority. It is a framework agreement under which the Company provides services to the General Transport Authority to serve the end beneficiaries of the General Transport Authority's services related to electronically issuing, renewing, and cancelling licenses and permits for activities and means of transport through a number of electronic platforms for the General Transport Authority in accordance with the laws and regulations in force. These services aim to provide electronic services to individuals and establishments to enable the General Transport Authority to control, organize, and manage transport operations through electronic linkage with the relevant government entities.

The term of this agreement is five (5) calendar years, automatically renewable unless either party notifies the other of its desire not to renew six (6) months prior to the expiry date.

Either party may terminate this agreement at any time under a notice of termination in accordance with the following:

- If the termination request was filed by the General Transport Authority, the Company must be notified six (6) months prior to the termination date.
- If the termination request was filed by the Company, the General Transport Authority must be notified twelve (12) months prior to the termination date.

The agreement contains a confidentiality clause whereby the parties undertake not to disclose, use, or exploit any information related to the agreement or related services. Either party shall not make any press release or announce any information related to the agreement or its contents to the public throughout the term of the agreement and after its expiry, except after obtaining the consent of the other party.

The agreement is subject to the applicable laws and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of its provisions and the dispute cannot be resolved amicably, the dispute shall be referred to the competent judicial authority in the Kingdom.

g) Tabadul Data Connectivity Agreement

The Company entered into an agreement with Tabadul to provide and operate air waybill data services by recipient identity number from 25/03/1440H (corresponding to 03/12/2018G), where the two parties agree to establish a system dedicated to enabling air freight agencies to handle and control the management of data verification of recipients of air shipments to the Kingdom and linking each air waybill number to the recipient's ID number, through electronic linkage with the relevant government entities and then sending the verified data from the Washaj platform to the Fasah platform to complete the necessary procedures for clearing shipments.

The term of this agreement is five (5) calendar years, automatically renewable for a similar period unless either party notifies the other of its desire not to renew three (3) months prior to the expiry date.

Tabadul sells services to clients and collects money from them, and the proceeds are shared between the two parties according to certain percentages.

Either party may terminate this agreement at any time, provided that the other party is notified of such three (3) months prior to the date of termination, taking into account the settlement of any unfulfilled financial dues to the other party.

The agreement includes a confidentiality clause whereby the parties shall not disclose any information related to the agreement or its contents, whether during the term of the agreement or after its expiration, except after obtaining the consent of the other party.

The agreement is subject to the applicable provisions and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of its provisions and the dispute cannot be resolved amicably, then it shall be referred to the competent judicial authority in the Kingdom.

h) Agreements with the Ministry of Environment, Water, and Agriculture

The Company has entered into two contracts with the Ministry of Environment, Water, and Agriculture with a total value of one hundred thirty-nine million, nine hundred forty-seven thousand, one hundred and fifty-nine Saudi Riyals (SAR 139,947,159) to provide consulting services and develop engines and platforms. These contracts were entered into based on the terms of the standard contracts whose terms are specified in accordance with the government procurement and competition system. The Company is entitled to financial consideration according to the work and services completed. The Ministry of Environment, Water, and Agriculture has the right to increase the Company's obligations by no more than 10% of the price of any contract, and it may reduce the Company's obligations by no more than 20% of the price of any contract. The Ministry of Environment, Water, and Agriculture is entitled to terminate the contract at any time, provided that it notifies the Company fifteen (15) days prior to the termination date, taking into account the settlement of any unpaid financial dues to the Company prior to the date of termination. These contracts are subject to the laws and regulations in force in the Kingdom, and any dispute that arises from the interpretation or execution of their provisions which cannot be resolved amicably shall be referred to the Board of Grievances.

i) Transactions and agreements entered into with sectors of the Ministry of Interior

The Company has entered into a number of transactions with some sectors of the Ministry of Interior, including memoranda of understanding and minutes of service development or meetings, with a memorandum of understanding entered into between the Company and a sector of the Ministry on 11/11/1434H (corresponding to 17/09/2013G). A memorandum of understanding was also entered into between the Company and a sector of the Ministry on 15/03/1442H (corresponding to 01/11/2020G), and an agreement was signed to develop linkage services to the systems of one of the Ministry's sectors on 24/04/1438H (corresponding to 22/01/2017G) for three (3) years, automatically renewable. A memorandum of understanding was also signed with a sector of the Ministry on 10/02/1436H (corresponding to 02/12/2014G). Through these agreements and understandings, the Company provides the sector with a variety of services, including the development of a number of services, portals, and platforms, to develop and automate the work procedures of these sectors, in order to serve beneficiaries of the sector's services and implement their transactions electronically. The services provided via these portals or platforms include, but are not limited to, the services of issuing authorizations, services and linking of examination reports to the sector's databases, developing an electronic system for recording data and linking it to the sector's database, and other services.

It is worth noting that the Company will sign a new agreement with the concerned government entities to develop data and information resources, which are expected to replace these transactions. As at the date of this Prospectus, this agreement has not been entered into and the expected date of its conclusion has not been set.

j) Municipality Agreements

The Company entered into two partnership contracts with Jeddah Municipality and another municipality on 16/05/1440H (corresponding to 22/01/2019G), which was amended on 07/10/1442H (corresponding to 19/05/2021G) and 15/10/1438H (corresponding to 09/07/2017G), respectively. The Company performs inspection, control, and development works, monitors violations, and collects and follows up on revenues. In return for its works, the Company obtains a percentage of these revenues according to certain requirements and controls. The term of each contract is five (5) calendar years, and by agreement of the two parties the term of the contract may be extended before its expiry for a period not exceeding five (5) years, provided that this is done within no less than one hundred and eighty (180) days before its expiry. The contract is subject to the laws of the Kingdom. In the event that any dispute arises from the interpretation or execution of their provisions and the dispute cannot be resolved by the Steering Committee, the dispute must be referred to the Board of Grievances.

These contracts include confidentiality clauses, under which the parties shall maintain the confidentiality of the contract and all information related thereto. The parties shall not provide a press release or announcement for the public regarding any transactions completed under these contracts without the prior written consent of the other party.

k) Document Printing and Delivery Agreement

An agreement was entered into for the provision and operation of printing and document delivery services between the Company and a government entity on 07/04/1437H (corresponding to 17/01/2016G), which was amended on 02/04/1438H (corresponding to 01/01/2017G), where the Company provides document printing services through the Company's printing centre for a fee from the service users, in accordance with the revenue sharing arrangements with the government entity. The services provided by the Company include printing health certificates, shop licenses, and building permits. This agreement does not contain any exclusive arrangements between the parties.

The term of this agreement is three (3) calendar years, automatically renewable for a similar period or periods unless one of the parties notifies the other of its desire not to renew three (3) months prior to the expiry date. Either party may terminate this agreement at any time, provided that it gives the other party a written notice at least six (6) months prior to the date of termination, taking into account the settlement of any unpaid financial dues to the other party.

All intellectual property rights related to the certificates and licenses printed by the Company's printing centre in accordance with this agreement shall be deemed and remain the property of the government entity, provided that the government entity pays all the Company's dues under this agreement. The intellectual property related to the systems developed by the Company to complete the linking with the government entity's systems or to implement services under this agreement shall be deemed and remain the property of the Company.

The agreement contains a confidentiality clause whereby both parties shall not disclose, use, or exploit any information in their possession or which they have access to or that is connected to the agreement or related services, whether directly or indirectly, whether before or after the termination of the services or the agreement.

The agreement is subject to the applicable laws and regulations in the Kingdom. In the event that any dispute arises from the interpretation or application of its provisions and the dispute cannot be resolved amicably, the dispute shall be referred to the competent judicial authority in the Kingdom.

l) Partnership Agreement for the Provision of Services with the Saudi Commission for Health Specialties

The Company entered into a partnership agreement to provide services with the Saudi Commission for Health Specialties on 27/04/1440H (corresponding to 03/01/2019G), which represents a framework agreement under which the Company shall provide the Saudi Commission for Health Specialties with several services as stipulated in the service orders in accordance with the revenue sharing mechanism between the two parties. The services provided by the Company under the agreement include, but are not limited to:

1) establishing and operating a continuing professional development and training platform; and

2) any other areas agreed upon later by the parties.

This agreement does not contain any exclusive arrangements between the parties.

The term of this agreement is three (3) calendar years, automatically renewed for a similar period or periods unless one of the parties notifies the other of its desire not to renew three (3) months prior to the expiry date. Either party may terminate this agreement at any time, provided that it notifies the other party within a maximum period of six (6) months from the date of termination, taking into account the settlement of any unpaid financial dues to the other party.

Neither party shall incur any material costs in return for the execution of this agreement except as expressly agreed upon in accordance with the service order signed by the two parties. The parties shall agree in the service order on the financial arrangements for the provision of services and the method of collecting the financial consideration from the beneficiary entities or beneficiaries, which shall be defined in accordance with the nature of each service in a way that ensures coverage of the establishment, operational, and developmental costs of the services and the benefit of both parties. In all cases, the Company will collect the fees from the beneficiaries.

The agreement contains a confidentiality clause whereby both parties shall not disclose, use, or exploit any information in their possession or which they have access to or that is connected to the agreement or related services, whether directly or indirectly, whether before or after the termination of the services or the agreement.

The agreement is subject to the applicable laws and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of its provisions and the dispute cannot be resolved amicably, the dispute must be referred to the competent judicial authority in the Kingdom.

A service order pursuant to the partnership agreement was signed to digitize the continuing professional development works, on 26/01/1441H (corresponding to 25/09/2019G), where the Company provides a platform for continuing professional development. The Company's services include, but are not limited to, the following:

1) developing and operating an online platform for continuing professional development.

2) providing value-added services as appropriate operational solutions for a unified call centre and data monitoring control solutions.

3) offering services that provide a number of human resource cadres to carry out supervisory works and field visits.

4) providing workshops and training to raise the efficiency of continuing professional development services.

The term of the partnership service order to digitize the continuing professional development works is five (5) years, automatically renewable for a similar period, unless one of the parties notifies the other in writing of its desire not to renew at least (90) days from the date of termination of the term of this service order.

m) Agreements with a Government Entity

The Company has entered into nine (9) agreements with a government entity to provide consulting services and develop engines and services related to Saudization with a total value of four hundred fifteen million, fifty-three thousand, five hundred and ninety-nine Saudi Riyals (SAR 415,053,599). These agreements were entered into in accordance with the terms of the standard contracts whose terms are defined in accordance with the government competition and procurement system, and the Company is entitled to financial consideration according to the works and services completed. The government entity has the right to increase the Company's obligations by no more than 10% of the price of any agreement, and it may reduce the Company's obligations by no more than 20% of the price of any agreement. These agreements are subject to the applicable provisions and regulations in the Kingdom. In the event that any dispute arises from the interpretation or execution of their provisions and the dispute cannot be resolved amicably, the dispute must be referred to the Board of Grievances.

These agreements include confidentiality clauses under which the parties shall maintain the confidentiality of the contract and all information related thereto. The parties shall not provide a press release or announcement to the public regarding any transactions completed under these agreements without the prior written consent of the other party.

n) Consultancy Agreements

The Company entered into two agreements regarding the provision of consultancy services in the field of health care, school care programs, and other health programs, with a project that includes the provision of advisory services, experts, and training courses, both on 19/06/1442H (corresponding to 01/02/2021G) with a government entity with a total value of two hundred seventy million, three hundred ninety-four thousand, six hundred and ninety-nine Saudi Riyals (SAR 270,394,699). These agreements do not contain any exclusive arrangements between the parties.

The Company shall implement and complete the works and services assigned to it within twenty-four (24) months from the conclusion date of the agreement. The Company is subject to a delay fine in case of delayed works and services.

The government entity may terminate the agreements at any time before execution of the services thereunder, after notifying the Company fifteen (15) days prior to the date of termination, and provided that all the Company's dues under the agreement are paid.

The government entity must terminate the agreements in the following cases:

1) if it has been found that the Company, itself or through others, directly or indirectly attempted to bribe a government entity employee or obtained the agreement through bribery, fraud, deceit, forgery, or manipulation or did any of the aforementioned during the execution of the agreement.

2) in the event of the liquidation or dissolution of the Company

3) in the event that the Company transfers the agreement without obtaining the written approval of the government entity.

The two agreements include confidentiality clauses under which the parties shall not use the name of the other party in any communications or disclosures to any other party or in any documents or announcements published or distributed to the public without obtaining prior written consent from the government entity.

These agreements are subject to the laws in force in the Kingdom as guaranteed under the government tenders and procurement law, its executive regulations, and any laws in force in the Kingdom. Any dispute arising from or relating to this agreement shall be referred to the Board of Grievances.

o) Lean Business Services Agreement

The Company entered into a framework agreement for data exchange with Lean Business Services on 20/09/1442H (corresponding to 02/05/2021G), whose objective is to set the basic conditions and controls for the parties' dealings, where that the parties agree, in the event of cooperation opportunities, to conclude service orders for services that include technical and financial details and shares of the parties.

The term of the agreement is five (5) years, automatically renewable unless either party provides a notice of its desire not to renew ninety (90) days before the date of termination.

Either party may terminate the agreement at any time, provided that it gives the other party a notice of six (6) months from the date of termination, taking into account any amounts payable to the other party.

The agreement includes a confidentiality clause under which both parties undertake, directly or indirectly, either before or after the implementation of the services or agreement, not to disclose or use any information in their possession, reviewed by them, or regarding the agreement or the related services.

The agreement shall be governed by the laws in force in the Kingdom, and any dispute that cannot be resolved amicably within sixty (60) days shall be referred to the competent courts in the Kingdom.

Following are the annexes to the agreement that will remain in force throughout the term of the agreement:

- Annex (1) dated 20/09/1442H (corresponding to 02/05/2021G) regarding medical report services to the Traffic Department for the issuance of driving licenses, where Lean Business Services Co. sends medical reports issued by medical institutions through the SEHA portal to the Company's systems to be submitted to the competent authorities.
- Annex (2) dated 20/09/1442H (corresponding to 02/05/2021G) with respect to medical report services to the Passport Department for the issuance of residencies, where Lean Business Services Co. sends medical reports issued by medical institutions through the SEHA portal to the Company's systems to be submitted to the competent authorities.
- Annex (3) dated 20/09/1442H (corresponding to 02/05/2021G) regarding medical report services to the General Department of Weapons and Explosives that are issued in order to grant the authority to possess weapons, where Lean Business Services Co. sends medical reports issued by medical institutions through the SEHA portal to the Company's systems to be submitted to the competent authorities.

p) Centre Operation Agreement

The Company entered into a centre operation agreement with a government entity on 18/07/1442H (corresponding to 02/03/2021G), whereby the Company operates the centres, including the provision and setting up of the centres, leasing of some centres, supplying the operation staff, and designing an operational model that maps the customer's journey in the centres that will be operated.

The term of the agreement is fourteen (14) months, commencing from the date the Company receives the relevant site in the manner agreed upon by the parties.

The total value of the agreement is six hundred twenty-six million, seven hundred eighty-five thousand, three hundred and two Saudi Riyals (SAR 626,785,302) (VAT inclusive), payable to the Company based on the works completed.

The agreement is subject to the laws applicable in the Kingdom. Any dispute that cannot be resolved amicably within sixty (60) days shall be referred to the competent courts in the Kingdom.

q) System Development Agreement

The Company entered into an agreement with a government entity on 16/09/1442H (corresponding to 28/04/2021G) for the development of systems, whereby the Company implements a project to develop a unified system in accordance with the terms of the agreement. The unified system provides operation management service and diverse procedures, including financial and accounting operations, human resources operations, and sale and warehousing operations.

The term of the agreement is forty-eight (48) months commencing from its execution date. The total value of the agreement is three hundred eighty-four million, eight hundred seven thousand, two hundred ten Saudi Riyals and nine halalas (SAR 384,807,210.09) (VAT inclusive), payable to the Company by virtue of completion certificates.

The government entity may terminate the agreement at any time by a notice of no less than sixty (60) days to the Company, provided that it compensates the Company for all the sums payable for the completed works, and for any damage sustained by the Company as a result of such early termination.

The agreement is subject to the laws applicable in the Kingdom. Any dispute that cannot be resolved amicably within sixty (60) days shall be referred to the competent courts in the Kingdom.

r) Agreement with a government entity

The Company has a draft agreement with a government entity pursuant to a ministerial resolution dated 24/12/1442H (corresponding to 03/08/2021G) which is in the signature stage. Under this agreement, the Company shall operate and develop a data centre, in addition to creating or upgrading any systems required by the nature of the work. The data centre is being developed in accordance with state-of-the-art international technologies and information security practices.

The agreement commences on 01/01/1443H (corresponding to 09/08/2021G) and will remain effective unless terminated by:

1) transferring the agreement to a company established to implement the project.
2) force majeure.
3) If the Company defaults on its obligations under the agreement, including default by either party in fulfilling their obligations under the agreement and failure to rectify this default after a thirty (30) days' notice, or in the event that the Company withdraws from the work, or if it is established that the Company, by itself or through another party, presented any gift or reward to any of the employees of the government entity related to the agreement for the purpose of facilitating the procedures associated with the agreement, or if the Company has become bankrupt or a request has been filed to declare its bankruptcy, or if an order has been issued to place the Company under receivership, liquidation, or judicial dissolution.

All intellectual property rights related to the works and programs developed by the Company to implement the agreement are deemed the property of the Company throughout the term of the agreement, and shall be transferred to the government entity upon the expiration of the agreement. In the event that systems or services are provided through licenses issued by other entities or other services that belong to the Company, only their respective licenses will be transferred to the government entity pursuant to the terms of the relevant licensing agreements. The government entity further vests in the Company the right to use any of the intellectual property rights that belong to the government entity on a non-exclusive and irrevocable basis for the purpose of implementing the agreement.

The agreement contains a confidentiality clause under which the parties and their representatives are obliged not to disclose any confidential information related to the agreement or any party thereto, including all data and documents related to the agreement, whether written or oral, before or after the termination of the agreement.

The agreement is subject to the laws applicable in the Kingdom. Any dispute that cannot be resolved amicably within sixty (60) days shall be referred to the administrative courts in the Kingdom.

s) Agreement with a government entity

The Company entered into an agreement with a government entity dated 13/11/1441H (corresponding to 04/07/2020G) which was amended on 24/04/1443H (corresponding 29/11/2021G) pursuant to which the Company undertakes to implement a technology project. This agreement does not include any exclusivity arrangement.

The term of this agreement is five (5) years commencing from delivery of the project location to the Company.

The aggregate amount of the agreement is thirty-five million nine hundred seventy-two thousand eight hundred twenty-four and four tenths Saudi Riyals (SAR 35,972,824.40) paid in monthly instalments upon providing a proof of delivery by the Company signed and stamped by the relevant authority.

The government entity may increase the work quantity for no more than 10% of the total value of the agreement and may reduce it by no more than 20% of the total value of the agreement.

The agreement is subject to the laws applicable in the Kingdom. Any dispute that cannot be resolved shall be referred to the Board of Grievances.

12-6-3 Supplier Agreements

The Company entered into a number of agreements whereby, including but not limited to, the Company is given the rights required to market and sell the systems of the entities contracted therewith to the public and private sectors. Additionally, some of the companies which entered into contracts with the Company will supply the staff and human resources services at the request of the Company based on purchase orders issued by the Company. Such agreements are outlined as follows:

a) Agreement concerning the Job Saudisation Service Project

The Company entered into an agreement concerning the job Saudisation services project on 23/10/1441H (corresponding to 15/06/2020G) with Creative Development Company, whereby Creative Development Company provides jobs and qualified candidates that match such jobs, as well as employment support services in accordance with the descriptions, qualifications, requirements, and technical details specified in the agreement.

The term of the agreement is one Gregorian year, commencing from 10/11/1441H (corresponding to 01/07/2020G), renewable or extendible by the written agreement of both parties. The Company is entitled to terminate this contract at any time, provided that Creative Development Company is given thirty (30) days prior notice in writing. The Company shall pay for works which were completed and accepted prior to the termination.

The Company has the right to contract a professional third party to evaluate the completed works and determine whether they were implemented properly in accordance with the requirements of the Company. This will be done at the Company's expense and without the consent of Creative Development Company.

The total value of the agreement is thirty-eight million, six hundred forty thousand Saudi Riyals (SAR 38,640,000), inclusive of all taxes and charges.

The agreement is subject to the laws applicable in the Kingdom. Any dispute that cannot be resolved amicably shall be referred to the commercial courts in Riyadh.

b) Altair Development and Operation Agreement

The Company entered into an agreement to develop and operate Altair for fleet management on 15/05/1437H (corresponding to 24/02/2016G) with Softec International Company, whereby the Company is given the required rights to market and sell the commercial version of Altair, which is developed and owned by Softec International Company, to its clients. Altair is a ready-made software for the management, tracking, maintenance, and organization of fleets and vehicles and is marketed and sold by Softec International on a global scale in several markets.

The term of the agreement is ten (10) years, commencing from the roll-out date, automatically renewable for an additional two consecutive years.

Each party shall incur the costs of expenses related to performance of its respective tasks and obligations under the agreement in exchange for sharing the revenue generated from selling the business version of the product in the region.

The Company is entitled to terminate this agreement at any time, provided that Softec International is given sixty (60) days prior notice in writing. The Company shall pay for the works which have been completed and accepted prior to the termination. Softec International may terminate the agreement if it does not wish to renew it, by notifying the Company of its intention to terminate the agreement (24) months prior to termination.

All intellectual property rights arising from this agreement, including the trade names, trademarks, and other rights which fall within the scope of protection provided by the World Intellectual Property Organization (WIPO) or the laws in force in the Kingdom, shall be the property of the Company, without prejudice to the intellectual property rights of Softec International, including but not limited to, the trademark and subscribers' data. Softec International agrees to defend and hold harmless the Company against third party claims alleging that Altair breaches the intellectual property rights of a third party, and it shall indemnify the Company for all costs and damage it sustains as a result of such claims. The Company acknowledges that Altair is the property of Softec International, and that all trademarks and the associated designs, logos, trade names, and copyrights are the property of Softec International.

Softec International deals with the Company on an exclusive basis to implement the scope of the agreement throughout its term, and Softec International undertakes, from the effective date of this agreement, to refrain from developing any similar products, directly or indirectly, within the Kingdom, without the prior written consent of the Company during the exclusive term of this agreement.

The agreement contains a confidentiality clause under which the parties are obliged to maintain the confidentiality of the information contained in the agreement. In the confidentiality clause, confidential information is defined as any information which a party discloses while stating that it is confidential, or information which is confidential by nature, and which the receiving party knows or believes that it is confidential. The receiving party shall be obliged to maintain the confidentiality of this information and not disclose it to any other party without the written consent of the other party.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute which cannot be resolved amicably shall be referred to the competent judicial authorities for settlement.

c) Employee Outsourcing Agreements

1) Manpower and Human Resources Provision Agreement

The Company entered into an agreement with Emdad Al Khebrat to supply human resources on 08/04/1436H (corresponding to 28/01/2015G), whereby Emdad Al Khebrat supplies staff and human resources services at the request of the Company pursuant to purchase orders issued by the Company. Emdad Al Khebrat provides the initial qualification programs for the staff and training programs on the personal skills of the workforce it provides. This agreement does not contain any exclusive arrangements between the parties.

The term of the agreement is one Gregorian year, commencing from 10/03/1436H (corresponding to 01/01/2015G), automatically renewable for similar terms unless either party gives the other party written notice of its intent not to renew the agreement thirty (30) days prior to the termination.

The Company has the right to transfer the sponsorship of any of its employees after they complete twelve (12) months of employment for the Company. This request cannot be rejected for any reason whatsoever, and Emdad Al Khebrat shall not be entitled to claim any material consideration for that procedure.

The value of the contract is determined based on the value of the purchase orders issued by the Company. The Company is not obliged to pay any amounts unless it issues purchase orders that correspond to such amounts.

Emdad Al Khebrat shall be responsible for the costs related to the supply of human resources, including the costs of insurance, iqama renewal, and any other compensation or allowance. Emdad Al Khebrat shall oblige the employees supplied thereby to maintain the confidentiality of the Company's information and data.

The Company is entitled to terminate this agreement or any work order issued thereunder at any time, provided that Emdad Al Khebrat is given a prior thirty (30) days' notice in writing. The Company undertakes to pay for the works which have been completed and accepted up to the termination date.

Emdad Al Khebrat guarantees that the employees shall assign any intellectual property rights that arise from the agreement or as a result of the work delivered to the Company, and that such rights represent the exclusive property of the Company and Emdad Al Khebrat has no share therein.

Any dispute that cannot be resolved amicably shall be referred to the Company's CEO.

12-6-4 E-Product Agreements

The Company deals with public, private, and government authorities to provide their clients with many electronic products, including but not limited to, Yakeen, Muqeem, Tamm, and Rayah. These electronic products provide clients with a diverse array of services, including identity verification services. Following is a summary of the agreements entered into by the Company with its clients:

a) Insurance Company Service Agreements

The Company has entered into a number of agreements for technical integration in insurance, whereby the Company provides many insurance companies and healthcare providers with validation services in accordance with the revenue-sharing mechanism. These agreements are summarized as follows:

1) Insurance Company and Healthcare Providers Service Agreement

The Company entered into an agreement for insurance companies and healthcare provider services on 15/05/1442H (corresponding to 30/12/2020G) with a legal entity, whereby the Company provides many data verification services for insurance companies and healthcare providers, such as the verification of beneficiary national address details and beneficiary data, matching such against official records, with the aim of advancing the healthcare and health insurance providers sector, for a financial return, and pursuant to any service order signed by both parties. This agreement does not contain any exclusive arrangements between the parties.

The term of this agreement is five (5) Gregorian years, renewable for similar terms with the written agreement of both parties.

The Company shall incur the costs of delivering the services to insurance companies for a financial return which they agree upon based on the prices specified in the service orders signed by both parties.

The Company delivers some services to insurance companies and healthcare providers under service orders signed by both parties, in partnership between the Company and third parties.

Any party is entitled to terminate the agreement or any service order at any time, provided that the other party is given a six (6) months prior notice. The Company shall pay for the works which have been completed and accepted up to the termination date. Both parties must continue implementing any service order effective at the time of termination until it expires pursuant to the expiry date specified in the respective service order.

The agreement contains a confidentiality clause whereby both parties shall not disclose, use, or exploit any information in their possession or which they have access to or that is connected to the agreement or related services, whether directly or indirectly, whether before or after the termination of the services or the agreement.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute which cannot be resolved amicably shall be referred to the competent judicial authorities for settlement.

Six service orders have been entered into under the agreement, as follows:

2) Request for Identity Verification for the Healthcare Sector

The service order was entered into on 02/09/1442H (corresponding to 14/04/2021G), whereby the Company will operate and develop identity verification services for the private healthcare sector, in cooperation with the legal entity. Such services shall include beneficiary verification services through the quick response (QR) code via a mobile application, and beneficiary verification by electronic authentication (OTP) via a mobile application, such as verification by face ID, and verification of beneficiary fingerprints in the emergency cases to be specified.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of services. The Company shall collect the financial consideration from the private healthcare sector.

3) Natheer Service Order

The service order was entered into on 02/09/1442H (corresponding to 14/04/2021G), whereby the Company shall provide the Natheer services for insurance cancellation. The Company delivers an electronic service to insurance companies to help establishments update the data of relevant individuals, such as customers and staff.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of the services for insurance companies in accordance with the service order, in exchange for making the services available to customers as a commercial offering.

4) Direct Yakeen Service Order

The service order was entered into on 13/09/1442H (corresponding to 25/04/2021G), whereby the Company is required to deliver Direct Yakeen services.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of the services for insurance companies in accordance with the service accreditation document, in exchange for making the services available to customers as a commercial offering.

5) Uploading Insurance Documents to the Passport Systems Service Order

The service order was entered into on 02/09/1442H (corresponding to 14/04/2021G), whereby the Company operates and develops the services that allow uploading of health insurance policies to passport systems. The services provided by the Company include uploading residents' health insurance policy details to passport systems, and uploading health insurance details to passport systems to extend visitor visas.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of the services for insurance companies in accordance with the service order, in exchange for making the services available to customers as a commercial offering.

6) AlEmtethal Service Order

The service order was entered into on 02/09/1442H (corresponding to 14/04/2021G), whereby the Company develops compliance services. The purpose of this service is to provide the legal entity with the number of dependants of private sector employees, based on the records available at the competent authorities, in order to use the information and data in insurance services.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of the services for insurance companies in accordance with the service order, in exchange for making the services available to customers as a commercial offering.

7) National Address Service Order

The service order was entered into on 13/09/1442H (corresponding to 25/04/2021G), whereby the Company operates and develops national address services.

The term of this service is two (2) Gregorian years, commencing from date thereof, renewable by the written consent of both parties thirty (30) days prior to the expiry of the applicable term.

The Company shall incur the cost of delivery, development, and operation of the services for insurance companies in accordance with the service accreditation document, in exchange for making the services available to customers as a commercial offering.

8) Insurance Technical Connectivity and Supplying Electronic Services Agreements

The Company has entered into seven (7) agreements with several insurance companies to deliver technical connectivity and electronic services, whereby the Company implements a technical connectivity project and conducts verification and authentication of customer data for the insurance companies. This agreement does not include any exclusive arrangements between both parties. This service is intended to streamline the confirmation of the data of beneficiaries who apply for insurance policies with insurance companies. The agreements specify the service prices payable by the insurance companies to the Company, which are calculated based on the number of transactions performed. The services delivered by the Company include:

1) Yakeen Service: Yakeen enables insurance companies to verify their customers' data based on the information available at the National Information Centre (NIC).

2) National Address Service: The National Address Service enables insurance companies to verify their customers' data based on the information available at the Saudi Post.

3) Electronic Authentication Service: The Electronic Authentication Service enables insurance companies to enhance the reliability of the service delivered to the clients by sending applicant ID numbers through direct integration for authentication by sending a code to the client's mobile phone.

The term of these agreements is one Gregorian year, commencing immediately from the date of completing the development and connectivity of the service with the insurance companies' systems, which shall be determined by the Company under a written or electronic notice to the insurance companies. The agreements are automatically renewable for similar terms, unless either party gives the other party notice of its intent not to renew the agreement at least thirty (30) days prior to the termination.

Any party is entitled to terminate the agreement, provided that the other party is given fifteen (15) days prior notice in writing.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute which cannot be resolved amicably shall be referred to the competent judicial authorities for settlement.

b) Yakeen Agreements

The Company has signed a number of Yakeen agreements, whereby the Company provides technical connectivity and verification of the information of the contracting party's clients, in accordance with the data available at the NIC. The service is intended to streamline the confirmation of the data of the contracting party's clients. The services delivered by the Company include:

1) Yakeen Service: a service that enables the contracting party to verify client data against the information available at the NIC.
2) National Address Service: a service that enables the contracting party to verify their customer data based on the information available at the Saudi Post.
3) Natheer Notification Service: a service that sends notifications to the contracting party upon the occurrence of a death indicator change.
4) Fingerprint service: For the verification of customers' ID.
5) Rayah Service: To send text messages to Yakeen beneficiaries' mobile phone numbers registered in Absher at the request of Yakeen clients.

None of these agreements include exclusive arrangements between the parties.

The term of each agreement is one Gregorian year, commencing from the date of completing the development and integration with Yakeen client systems, in the manner specified by the Company under a notice to each Yakeen client. The agreements are automatically renewable for similar terms, unless either party gives the other party written notice of its intent not to renew the agreement at least thirty (30) days prior to the termination date.

Yakeen clients must pay annual subscription fees at the beginning of every contractual year and at the beginning of every renewed period, and these fees are non-reimbursable. This cost includes the value of the settings required for the service. The fee includes the cost of the required technical setting and operation of services for one Gregorian year.

The cost of services and operations (which consists of the annual subscription and cost of verifications) shall be paid based on monthly bills sent to the client's official address to be paid within fifteen (15) days from the claim date based on the price of each transaction specified in the respective Yakeen agreement.

Any party is entitled to terminate the agreement, provided that the other party is given fifteen (15) days prior notice in writing.

Both parties undertake to maintain the privacy and confidentiality of the data and information related to Yakeen agreements, and not to disclose it to any party, except: (1) data or information which is in the public domain; (2) data or information that must be disclosed at the request of a competent government authority; (3) information presented to the consultants of the other party.

Both parties undertake to use the data and information contained in the Yakeen agreements for its intended purpose, protect it, and not misuse or pass it to third parties. Yakeen clients may not reproduce or disseminate the data or information to any other party, unless otherwise agreed in writing by both parties.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute which cannot be resolved amicably shall be referred to the competent judicial authorities for settlement.

c) Subscription forms

The Company has many subscription forms regarding the electronic services and products offered by the Company. The table below summarizes the most important provisions of the subscription forms for the electronic services and products offered by the Company:

Table (12-6): Summary of the Provisions of Subscription Forms for Electronic Services and Products Provided by the Company

#	Service	Service Details	Service Term
1.	Yakeen (Direct)	This service allows the subscriber to verify the client's data according to the information available at the National Information Center.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew one month before the date of termination.
2.	Yakeen (Basic)	This service allows subscribers to verify the records of a customer or vehicle, whether or not these records exist in the database of the National Information Center.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew one month before the date of termination.
3.	Yakeen (Subscription)	A service that benefits banks and financial companies that manage subscriptions, whether in shares or real estate funds, to enable them to verify the data and information of subscribers according to the data available in the National Information Center at the Ministry of Interior.	Six (6) months, starting from the date of activating the service
4.	Dakhli	This service allows subscribers to check their clients' wages according to the data available at the General Organization for Social Insurance.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew one month before the date of termination.
5.	Kashef (Development Partner)	This service verifies the security and legality of the vehicles of visitors to the client's sites, according to the information registered in the databases of the National Information Center.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew thirty (30) days before the date of termination.
6.	Tamm service	A service that aims to allow subscribers to monitor their vehicles by accessing data, including the possibility of enquiring about certain information regarding a subscriber's vehicles according to the data of the competent authority authorized for display on the website.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew thirty (30) days before the date of termination.
7.	Tamm (SDK)	A service that aims to allow subscribers to monitor their vehicles by accessing data, including the possibility of enquiring about certain information regarding a subscriber's vehicles according to the data of the competent authority authorized for display on the website.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew one month before the date of termination.
8.	Tamm (linkage partner)	This service provides subscribers with the authority to link their applications to the Company's Tamm service, carry out marketing activities, and sell the final product.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew thirty (30) days before the date of termination.
9.	Electronic Authentication Service/Electronic Authentication Service (Rowad)	This service sends an authentication code to subscribers' clients according to the mobile phone numbers registered in Absher.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew thirty (30) days before the date of termination.

10.	Muqeem	This service allows establishments to view the data of their resident employees and complete their passport transactions electronically and instantly at any time and from anywhere, without the need to visit the General Directorate of Passports.	A full calendar year, starting immediately after the service development completion date. Automatically renewable for a similar period unless either party notifies the other of its desire not to renew thirty (30) days before the date of termination.

Source: The Company

12-6-5 Investment agreements

The Company undertakes a number of capital investment activities, and invests and participates with digital start-ups at their early stages. The Company undertakes the above either by directly acquiring ownership shares in start-ups or obtaining such shares through Future Resources Co. As a result, the Company and Future Resources Co. have entered into various shareholder agreements with the shareholders of these start-ups. Following is a summary of these agreements:

a) Shareholder agreements

1) Bezaat Shareholders Agreement

The Company entered into the Bezaat Shareholders Agreement on 07/06/1442H (corresponding to 20/01/2021G) with Bezaat shareholders and other investors in Bezaat, whereby the parties agree to define their rights and obligations as shareholders, with respect to the operation and management of Bezaat and the amendment of Memorandum of Association and Bylaws.

If at any time Bezaat wishes to issue new shares, other than the exceptions provided in the Bezaat Shareholders Agreement, Bezaat shall present a written notice to investors who have invested at least one million US dollars (USD 1,000,000) in Bezaat. The notice shall include the terms of the offer and the offer price. Each investor has a period of fifteen (15) days from the date of the notice to express their desire in writing to purchase shares at an equal price.

If the primary shareholder of Bezaat or a holder of a number of ordinary shares equal to 1% or more of the capital of Bezaat wishes to transfer any or all of their ordinary shares, they are entitled to give a written notice to the major investors of Bezaat within a period not exceeding 45 days before the proposed transfer. Each major investor at Bezaat may, within a period of 30 days from the date of the notice, express their intent in writing to purchase from the transferor at an equal price.

The Bezaat Shareholders Agreement shall automatically expire in the event of the dissolution and liquidation of Bezaat. The Bezaat Shareholders Agreement shall be governed by and construed in accordance with English law.

2) Unifonic Shareholders Agreement

The Company has entered into the Unifonic Shareholders Agreement with the investors and founders of Unifonic in accordance with a deed of commitment dated 21/02/1441H (corresponding to 31/10/2018G) and as amended on 06/02/1443H (corresponding to 13/09/2021G), which was entered into by the Company and Unifonic (the Company's shares have been transferred to Future Resources Co.), as an investor in Unifonic. The parties to the Unifonic Shareholders Agreement desire to specify certain rights and obligations regarding their respective shares in Unifonic. The term of the Unifonic Shareholders Agreement shall remain in force throughout the term of Unifonic.

The Unifonic Shareholders Agreement may be terminated after obtaining the prior written consent of Unifonic founders and holders of more than 50% of the Series A shares, and of holders of more than 50% of the Series B shares. In such case, the termination shall be binding on all parties under the Unifonic Shareholders Agreement. In addition, the Unifonic Shareholders Agreement will be automatically terminated if Unifonic is listed.

Each of the shareholders undertakes to investors in Unifonic that they will not execute or agree to transfer, pledge, charge, dispose of, or grant any option or other rights over all or any part of their portion in any of the shares in Unifonic's capital to any person, unless it is permitted or required to do so with the prior written consent of the majority of investors in Unifonic.

No shareholder may make any transfer, pledge, or other disposition of any interest in the shares to any person who is not a party to the Unifonic Shareholders Agreement without obtaining a deed of commitment from the transferor or subscriber.

Each party acknowledges and agrees that upon sale or listing, the investors shall not be obliged to provide guarantees or compensation (except for a guarantee of the ability and ownership of the shares held by the investor).

The agreement includes a confidentiality clause whereby the parties shall maintain the confidentiality and privacy of the agreement information and shall not use or disclose such information to any third party.

The Unifonic Shareholders Agreement is governed by and construed in accordance with English law.

3) Smart National Solutions for Information Technology Partners Agreement

The Company entered into the Smart National Solutions for Information Technology partners agreement with Abdul Majeed Ibrahim bin Abdullah Al Mousa related to Smart National Solutions for Information Technology. Abdul Majeed Ibrahim bin Abdullah Al Mousa is the founder of Smart National Solutions for Information Technology and the Company subscribed to 48,960 shares. Both parties agree to establish certain rights and obligations regarding their respective shares in Smart National Solutions for Information Technology. The Smart National Solutions for Information Technology partners agreement will remain in force during the term of Smart National Solutions for Information Technology.

Under the Smart National Solutions for Information Technology Partners Agreement, any of the parties may sell or transfer any of its equity instruments or interests to a subsidiary, subject to the consent of the other party. Any party wishing to sell the equity instruments or interests to a third party shall give a written notice to the other party within thirty (30) days and the non-transferring party may declare its desire to purchase the equity instruments in whole or part. The rest of the equity instruments not requested by the non-transferring party may be transferred to the buyer.

The agreement includes a confidentiality clause whereby the parties shall maintain the confidentiality and privacy of the agreement information and shall not use or disclose such information to any third party.

The Smart National Solutions for Information Technology partners agreement shall be subject to the regulations in force in the Kingdom. Any dispute arising from the Smart National Solutions for Information Technology partners agreement shall be settled through arbitration by a single arbitrator in accordance with the rules of the Saudi Center for Commercial Arbitration, and the arbitration shall take place in the Kingdom.

4) Alwans Technology Corp. Shareholders Agreement

The Alwans Technology Corp. Shareholders Agreement was entered into by the founders and investors of Alwans Technology Corp, including Future Resources Co., on 27/06/1442H (corresponding to 09/02/2021G), whereby the parties agree to establish certain rights and obligations in accordance with their relevant shares in Alwans Technology Corp. The Alwans Technology Corp. shareholder agreement shall remain in effect during the term of Alwans Technology Corp.

The Alwans Technology Corp. Shareholders Agreement may be terminated with the prior written consent of Alwans Technology Corp. and by the shareholders owning 90% of the issued shares. The Alwans Technology Corp. Shareholders Agreement shall also be automatically terminated at the end of the initial public offering or acquisition of Alwans Technology Corp.

Pursuant to the Alwans Technology Corp. Shareholders Agreement, any shareholder wishing to sell equity instruments or interests to a third party shall provide a written notice to the other shareholders. Within thirty (30) days, non-transferring shareholders may express their desire to purchase the equity instruments in whole or part. The rest of the equity instruments not requested by the non-transferring shareholders may be transferred to the proposed buyer.

The agreement includes a confidentiality clause according to which the parties shall not disclose or divulge any of the agreement information, whether during the term of the agreement or after its expiry, or any information related to other shareholders or their shares without obtaining the prior written consent of the other party.

The Alwans Technology Corp. Shareholders Agreement shall be construed in accordance with the laws of England and Wales. Any dispute arising from this agreement shall be settled by arbitration in accordance with the rules of the Dubai International Financial Center - London Court of International Arbitration. The parties are not entitled to bring any new trial before a court of competent jurisdiction. The seat of the arbitration shall be Dubai International Financial Centre.

5) Al Dal Real Estate Co. Partners Agreement

The Al Dal Real Estate Services Co. partners agreement was entered into regarding Al Dal Real Estate Services Co., which was established by Future Resources Co. and Itqan Real Estate Co. on 21/05/1442H (corresponding to 05/01/2021G). Under Al Dal Real Estate Co. Partners Agreement, the two parties wish to establish a limited liability company called Al Dal Real Estate Services Co. to provide digital real estate auction services to target clients. The two parties wish to establish certain rights and obligations with respect to their shares in Al Dal Real Estate Co. It was agreed to establish Al Dal Real Estate Services Co. for a period of 10 years, automatically renewable for a similar period unless either party notifies the other of its desire not to continue six (6) months before the termination.

Al Dal Real Estate Services Co. partners agreement shall remain in force until the end or termination of the term of Al Dal Real Estate Co. or shall automatically expire if any of the shareholders acquires 100% of the capital.

The partners may not sell any of their shares before publishing the financial statements for two financial years. Each shareholder undertakes to the other not to perform any of the following without the written consent of the other:

1) selling, transferring, disposing of, or waiving any of its shares or any of the rights related thereto;
2) pledging or cancelling any of its shares or any rights related thereto; and

3) concluding any agreement related to voting rights associated with all or part of the shareholders' shares.

The selling shareholder shall notify the non-selling shareholder of their desire to transfer the title of the shares, indicating the details of the proposed transfer, the identity of the third party, and the price offered. The non-selling shareholder may, within (60) days from receiving such notice, notify the selling shareholder of any of the following:

1) the desire to buy all shares at an appropriate price; and

2) the desire to buy all shares subject to the previously prescribed purchase price.

The agreement includes a confidentiality clause whereby the parties shall keep the agreement information confidential and shall not disclose it.

Al Dal Real Estate Services Co. partners agreement shall be governed by the regulations in force in the Kingdom and shall be interpreted accordingly. The courts of the Kingdom have exclusive jurisdiction to settle any claim, dispute, or case that may arise from of or with respect to the agreement.

6) Sahl Al Madar Trading Co. Partners Agreement

The Sahl Al Madar Trading Co. partners agreement was entered into between Future Resources and Obeikan Digital Solutions on 04/06/1441H (corresponding to 28/01/2020G), whereby Future Resources subscribed to obtain a share in Sahl Al Madar Trading Co. under an investment and subscription agreement entered into between Sahl Al Madar Trading Co., Obeikan Digital Solutions, and Future Resources and the parties wish to establish certain rights and obligations with respect to their ownership of shares in Sahl Al Madar Trading Co.

The Sahl Al Madar Trading Co. partners agreement shall remain in force during the term of Sahl Al Madar Trading Co., unless it is terminated or one of the partners becomes the owner of 100% of the authorized capital of Sahl Al Madar Trading Co. and at such time it shall be automatically terminated.

Except as permitted in the Sahl Al Madar Trading Co. Partners Agreement, the partners may not make a transfer, assignment, implicit waiver, or pledge of all or any part of its securities or interests or any direct or indirect rights or interests therein. Except as otherwise permitted in the Sahl Al Madar Trading Co. Partners Agreement, any transfer or purported transfer of any securities or equities or any direct or indirect rights or interests therein, whether to other partners or an affiliate of the transferring partner or to a third party, in violation of the restrictions contained in Sahl Al Madar Trading Co. partners agreement, shall be invalid and have no effect and the transferee will not become a partner in Sahl Al Madar Trading Co. However, a partner may at any time sell or transfer any or all of their securities or equities to an affiliate, which shall include regarding any person, any legal entity that controls, is jointly controlled with, or is controlled by that person.

Except with respect to the authorized transfer, any partner wishing to sell their shares in Sahl Al Madar Trading Co. shall give the other shareholders the right of pre-emption. If Obeikan Digital Solutions wishes to sell more than 5% of its shares in Sahl Al Madar Trading Co. to a third party, it shall provide Future Resources with a notice and offer to participate in this sale.

The Sahl Al Madar Trading Co. Partners Agreement shall be subject to the regulations in force in the Kingdom.

7) Syarah Shareholders Agreement

An undated shareholders agreement was entered into between by the Company, the founders of Syarah, and other investors in Syarah (collectively referred to as the "**Syarah Founders**") (the shares of the Company have been transferred to Future Resources Co.), as the shareholders of Syarah wish to establish certain rights and obligations regarding the organization and management of Syarah Limited.

The Syarah Shareholders Agreement shall remain valid in full force with respect to each party until the termination of the agreement for that party. Unless expressly provided otherwise, a party that transfers all of its shares to a third party in accordance with the provisions of the agreement shall not be bound by the terms and conditions of the agreement after the date of such transfer, provided that the party to whom the shares are transferred is (or was already) a party to the agreement, which shall be deemed terminated with respect to the party which transferred its share as of the date of such transfer. The agreement shall expire automatically in the event of an approved sale, liquidation, or initial public offering. Unless otherwise approved by the Board of Directors of Syarah Limited, each of the founders of Syarah undertakes, for 24 months from the date of this agreement, to not: (i) sell or transfer, directly or indirectly, any interest in Syarah Limited; (ii) enter into any legally binding obligation to sell or transfer any share or any interest in any share in Syarah Limited; (iii) create or allow the creation of any pledge regarding any of its shares or any other claim of dealing with the beneficial interest contained therein or any right attached thereto separate from the legal interest; or (iv) conclude any agreement or transaction with respect to voting or participation rights associated with any of its shares. The agreement contains a confidentiality clause, under which the parties shall maintain the confidentiality of information and each party shall ensure that its advisors, and any other person related to such party, will maintain the confidentiality of the following: (a) the provisions and subject of the agreement; and (b) all information that such party provides for any of its advisors and/or any other person associated with that party, with respect to the agreement.

The Syarah Shareholders Agreement shall be construed in accordance with the clear meaning of its terms and shall be interpreted according to the laws of England and Wales. Any dispute arising from this agreement shall be settled by arbitration in accordance with the rules of the Dubai International Financial Center and the rules of the London Court of International Arbitration, and any award shall be final and binding on the parties.

8) HealthifyMe Shareholders Agreement

The HealthifyMe Shareholders Agreement was entered into on 22/05/1439H (corresponding to 08/02/2018G), which was amended on 27/04/1441H (corresponding to 24/12/2019G) by the founders and investors of HealthifyMe, including Future Resources. The parties agree to define their rights and obligations as shareholders, with respect to the operation and management of HealthifyMe and the amendment of the Memorandum of Association and Bylaws.

The HealthifyMe Shareholders Agreement shall be valid as of the date of completion of Series B2 and shall remain in force and effect until terminated.

Any agreement or arrangement to transfer any of the securities other than in the manner described in the HealthifyMe Shareholders Agreement is deemed void. However, the restrictions on the transfer of shares do not apply to the transfer of ordinary shares by key management personnel, as defined by HealthifyMe from time to time, in the following cases: (i) a one-time transfer by any of the key management personnel for the purposes of real estate planning, provided that the shares can only be transferred to an entity controlled by the key management personnel and in the event of a change in control of that entity, the key management personnel shall buy it to transfer such shares to the key management personnel or any other entity controlled by itself as soon as reasonably practicable. Prior written consent of any three of the principal investors shall be obtained. The shares may be transferred to the spouse, parents, or children of the key management personnel and all transferees shall execute a material obligation deed in the form provided in Schedule 3 of the HealthifyMe Shareholders Agreement; (ii) a one-time sale of up to 10% of the acquired shares of key management personnel for personal liquidity purposes; and (iii) any sale of shares related to an initial public offering with a total transaction in excess of five hundred million Indian Rupee (INR 500,000,000). The HealthifyMe Shareholders Agreement provides the right of priority, the right to sell, and the right of first refusal for the shareholders of HealthifyMe in the event of transfer.

The agreement contains a confidentiality clause, under which the parties shall maintain the confidentiality of the agreement information. At any time during or after the term of the HealthifyMe Shareholders Agreement, the shareholders may not disclose to any person or divulge any data or information related to other shareholders for their own interest or regarding HealthifyMe, its shares, or transaction without obtaining the prior written consent of the other party.

9) HealthifyMe Series C Shareholder Agreement

The shareholder agreement was entered into on 02/12/1442H (corresponding to 12/07/2021G) among a group of shareholders, including Future Resources. Under the agreement, the parties agree to determine their rights and liabilities as shareholders, in relation to the operation and management of HealthifyMe , and to amend the Bylaws and Articles of Association in relation to the Series C shares issued by HealthifyMe .

The agreement enters into force from the completion of series C and remains in full force and effect until terminated. No shareholder may transfer any of their shares, or assign any of the rights or liabilities attached to such shares to any competitor.

The agreement contains a confidentiality clause, whereby the parties to the agreement undertake to keep the information confidential and not to disclose it to any third party. The parties are allowed to disclose all aspects of the finance to other investors in HealthifyMe, and investment bankers, lenders, accountants, and legal consultants. In all cases, the aforementioned persons should be subject to non-disclosure obligations under professional ethics, the law, or the contract.

10) Curative Care Shareholder Agreement

The Curative Care shareholder agreement was entered into by the Curative Care Company founders, Curative Care investors, and the Company through Future Resources in its capacity as an investor on 25/12/1442H (corresponding to 04/08/2021G), whereby the parties agreed to create some rights and obligations in proportion to the shares each party holds in Curative Care. The Alwans Technology Corp shareholder agreement shall remain in force throughout the term of Curative Care Company.

The agreement will be terminated if the shareholders so agree in writing, and it will remain effective as long as two or more parties continue to hold shares in Curative Care. The agreement will be terminated with respect to the shareholder who no longer holds shares in Curative Care.

Under the Curative Care shareholder agreement, shares may be transferred by a written notice to other shareholders who hold preferred Series A shares. Within thirty (30) days, any shareholder who does not wish to transfer their shares can express their desire to buy the shares, in whole or in part. It is permissible to transfer the remainder of the shares that are not claimed by the shareholders who do not wish to transfer their shares to the proposed buyer.

The agreement contains a confidentiality clause, whereby the parties undertake to maintain the confidentiality of information. The confidentiality clause states that each party must exert reasonable efforts to ensure that its employees, staff, agents, and consultants protect the confidential information, including the agreement. The parties are obliged to refrain from disclosing such information, directly or indirectly, to any other party. The Curative Care Shareholder Agreement shall be interpreted in accordance with the laws of England and Wales. All disputes arising out of or in connection with the present agreement shall be settled through arbitration under the rules of the Dubai International Financial Centre (DIFC). The parties are not entitled to bring any other lawsuit before a court of competent jurisdiction. The seat of the arbitration shall be Dubai International Financial Centre.

11) Zid Shareholder Agreement

An undated shareholders agreement was entered into for Zid Holding Limited shareholders between Zid founders and a group of investors, including Future Resources, whereby Zid investors subscribe to the shares of Zid under an undated subscription agreement entered into between the parties (the "**Subscription Agreement**"), for the purpose of organising certain aspects of the shareholder agreement.

The agreement shall remain in force with respect to each party until it is terminated for that particular party. Parties that have transferred all of their shares to a third party, in accordance with the provisions of the agreement, shall no longer be required to comply with its terms and conditions after the date of the transfer, provided that the party to which these shares have been transferred becomes a party to the agreement. The agreement shall be automatically terminated in case of sale, liquidation, or IPO.

Unless otherwise agreed by the Board of Directors, all the founders of Zid undertake that for a period of sixty-three (36) months after the date of the agreement, no founder in Zid will be allowed to:

- transfer any share in Zid.
- enter into any legally binding commitment to sell or transfer any portion or interest in any of the shares of Zid.
- create any pledge in relation to its shares.
- enter into any agreement or arrangement in relation to the voting or subscription rights attached to any share.
- terminate its employment contract with Zid if it works for Zid.

The agreement contains a confidentiality clause, whereby each party undertakes and warrants that none of its consultants will make any public announcement about the agreement or its content, the subscription agreement, the subscription to the shares, or Zid business or affairs, without the prior written consent of the other parties. As an exception, any party may issue an announcement, written or oral, about its investment in Zid in line with any public disclosure made by Zid, without obtaining a prior written consent from the other parties.

The agreement shall be governed and interpreted in accordance with English law. All disputes arising out of or in connection with the present agreement shall be settled through arbitration under the rules of the DIFC and the London Court of International Arbitration (LCIA).

12-6-6 Tabadul Agreements

Tabadul has entered into several agreements with various government authorities in relation to the projects which Tabadul implements for them as a part of its commercial operations.

Following is a summary of the key terms of the agreements entered into by Tabadul:

a) Fasah Platform

Fasah is the key product provided and developed by Tabadul. It is a system and a unified electronic import and export platform that enables parties to engage in import and export transactions by filing and following up on requests and meeting all requirements of the relevant government entities without having to visit them. Tabadul has entered into agreements with government entities for the operation of the Fasah platform, which will be launched to its clients later on a commercial basis.

Following are summaries of the main terms of the agreements that govern Fasah operations by Tabadul.

1) Agreement with a government entity

Tabadul entered into a revenue sharing agreement with a government entity on 17/03/1441H (corresponding to 14/11/2019G), whereby Tabadul shall, in cooperation with the government entity, develop the first phase of the Fasah platform as relates to the automation of the import and export services provided by the government entity. Fasah will serve as a unified platform for the electronic services delivered by the various government entities related to import and export services.

The term of the agreement is two (2) years, commencing from 25/04/1440H (corresponding to 01/01/2019G), renewable subject to the agreement of both parties three (3) months prior to the termination date. The agreement was extended for six (6) months until 20/11/1442H (corresponding to 30/06/2021G) under an addendum that was entered into by both parties on 29/05/1442H (corresponding to 13/01/2021G), noting that the agreement has not been extended, yet it is still in force by virtue of provisions thereof which allow both parties to continue acting in accordance with its provisions for thirty-six (36) months maximum. As at the date of this Prospectus, Tabadul and the government entity are working on signing a new agreement.

Tabadul shall bear all platform implementation, operation, and maintenance costs for a financial consideration from the services.

Tabadul may charge additional fees from Fasah clients for the extra service provided, including annual membership fees, maintenance fees, and fees for access to the non-confidential data provided on the platform.

Except for any data related to the government entity, the intellectual property of the platform, upon the termination or expiration of the agreement, shall be the property of Tabadul.

The agreement shall be subject to the laws in force in the Kingdom. All disputes arising out of or in connection with the present agreement shall be settled by the competent courts in the Kingdom.

2) Agreement with a government entity

Tabadul entered into an online business solutions development and operation agreement with a government entity on 13/07/1441H (corresponding to 08/03/2020G). Under this agreement, Tabadul will develop and operate online services and applications within the online unified import and export system in order to automate the government entity's services and operations through the Tabadul Fasah platform. After that, Tabadul will provide any services or systems developed under the agreement to third parties via a website and/or a mobile application for financial consideration that will be collected in accordance with the revenue sharing mechanism entered into with the government entity.

The term of the agreement is ten (10) years commencing from date thereof, automatically renewable under similar terms, unless either party gives the other party notice of its intent not to renew the agreement twelve (12) months prior to the termination.

The government entity classifies the provided service outlets as mandatory or optional.

Data shall be the property of the government entity; however, upon the termination of the agreement, all intellectual property rights in connection with the systems developed by Tabadul under the agreement shall be vested in Tabadul.

The agreement shall be subject to the laws in force in the Kingdom. All disputes arising out of or in connection with the agreement shall be settled by the competent courts in the Kingdom.

3) Fasah Agreement Templates

Tabadul has a template for Fasah agreements entered into with its various clients, including natural and legal persons, including but not limited to, governmental and quasi-governmental authorities and other similar organizations ("**Fasah Subscribers**") (collectively, "**Fasah Agreement Templates**"), whereby Tabadul will provide facilities, or online tools, services, or information either on its website or make them available in the future via Fasah systems. Fasah is the principal product provided by Tabadul. It represents a unified electronic import and export system or platform that enables the parties involved in the import and export operations to file and follow up requests and meet all the requirements of government entities without having to visit them.

Beneficiaries of Fasah services:

1) Importers and exporters.
2) Customs brokers.
3) Port operators.
4) Train operators.
5) Shipping agents.
6) Express mail.
7) Air freight.
8) Car agents.
9) Private laboratories.

Fasah subscribers are required to pay certain fees to use the services, which include subscription fees and fees for transactions governed by the billing systems issued by Tabadul.

Tabadul reserves the right to suspend access to Fasah, or terminate the agreement with any subscriber in the event that they fail to pay the fees in full for more than thirty (30) days. The agreement may be terminated by either party under a thirty (30) day notice in writing through the official forms available on the website.

Fasah subscribers shall refrain from disclosing the terms and conditions of the agreement to third parties.

Tabadul disclaims any warranties and terms of any kind whatsoever to the extent permitted by the law, including but not limited to, any defects or errors in the service provided and the extent of its fitness for a particular purpose.

Fasah subscribers may not use the service for any illegal or unauthorized purposes. A Fasah subscriber shall be liable if they, or any person under instructions by the subscriber, performs any act that would prejudice Fasah or the service, whether wilfully or negligently.

Fasah template agreements shall be subject to the laws in force in the Kingdom. All disputes arising out of or in connection with the agreements shall be settled by the Kingdom's competent courts, committees, or authorities, as applicable.

Any claims against Tabadul must be submitted to Tabadul within one month from the date of the event that gives rise to such claims. Fasah subscribers may not file any lawsuits before the courts unless Tabadul provides an answer to such claim within ten (10) business days from the date the claim is received. In any case, Tabadul's maximum liability shall be limited to the fees paid by the Fasah subscriber within the month preceding the claim.

b) Truck Management System Agreement

Tabadul entered into a truck management system agreement with a governmental entity on 19/08/1442H (corresponding to 01/04/2021G), whereby Tabadul provides connectivity services for a truck management project, which must include connectivity of Tabadul electronic truck management system with the governmental entity's electronic system, the development and operation of the truck booking system, connection of traffic information with the system of another governmental entity and with the systems of a GCC country, if the project is implemented in that country, as well as training customs brokers on the booking of truck schedules.

The term of the agreement is ten (10) years from date thereof. The terms of the agreement will be reviewed during the first year after the conclusion thereof. This term is renewable subject to the agreement of both parties, unless either party notifies the other party of its intent not to renew the agreement ninety (90) days before the termination date.

Tabadul shall collect service fees (VAT inclusive) on a monthly basis from the beneficiaries who use the service pursuant to specific sharing arrangements with the government entity.

Upon the expiry or termination of the agreement, all intellectual property rights attached to the agreement and the truck management system shall be transferred to Tabadul. Tabadul is the holder of all the intellectual property rights of the systems and works it has developed under the agreement.

The agreement contains a confidentiality clause whereby the parties undertake not to disclose or use any documents or information related to the other party or its business, and not to use or disclose any such information unless necessary, subject to prior authorization by the other party.

The agreement shall be governed by the laws applicable in the Kingdom. All disputes arising out of or in connection with the agreement which cannot be resolved amicably within fourteen (14) days shall be referred to the competent courts in the Kingdom.

12-6-7 Emdad Al Khebrat Agreements

Below is a summary of the agreements entered into by Emdad Al Khebrat in relation to the projects it operates for various parties:

a) Red Sea Cruise Agreement

Emdad Al Khebrat entered into the Red Sea Cruise Agreement on 06/01/1442H (corresponding to 25/08/2020G), which was amended on 22/01/1443H (corresponding to 30/08/2021G) with the Red Sea Cruise Ship Company, whereby Emdad Al Khebrat shall supply employment, human resources, training, and consulting services, in addition to government support and shared services. Emdad Al Khebrat shall provide the Red Sea Cruise Ship Company with all the required services under separate purchase orders.

The term of the agreement is one year, commencing from 22/01/1443H (corresponding to 31/08/2021G), and it shall expire on 05/02/1444H (corresponding to 01/09/2022G). The agreement is renewable under a letter issued by the Red Sea Cruise Ship Company.

Payments shall be made to Emdad Al Khebrat against bills submitted to the Red Sea Cruise Ship Company, which must be settled within thirty (30) days after the Red Sea Cruise Ship Company accepts the services.

The Red Sea Cruise Ship Company may terminate the agreement at any time by a three (3) day written notice.

The agreement contains a confidentiality clause, whereby Emdad Al Khebrat undertakes to keep confidential and refrain from disclosing all information at any time and for any reason, including the information obtained under the agreement, for any purposes other than the purpose of performing the services contemplated in the agreement and the relevant purchase orders, and after obtaining prior written consent from the Red Sea Cruise Ship Company.

The agreement shall be governed by the laws applicable in the Kingdom. All disputes that cannot be resolved amicably shall be referred to the competent courts in the Kingdom.

b) Comprehensive Service Agreement with a Government Entity

Emdad Al Khebrat entered into a comprehensive service agreement with a governmental entity on 04/03/1443H (corresponding to 10/10/2021G), whereby Emdad Al Khebrat shall provide human resources services, business support applications, and common functions to the government entity in accordance with the purchase orders to be issued in the following sequence:

Table (12-7): Purchase Orders to be Issued under the Comprehensive Service Agreement Concluded with the Government Entity

#	Class	Service	Estimated Schedule
1.	Provision of human resources	Development of job descriptions	3 days
		Announcement of job vacancies and selection of candidates	5 days
		Candidate interviews and short-listing	3 days
		Development of employment offers for the selected candidates	3 days
		Development of employment contracts for the selected candidates	3 days
		Signature of the contract and verification of all required documents and government registrations	1 day
		Provide human resources services	Contract Term
2.	Business support applications service	Enterprise resource planning (ERP)	120 days
		Enterprise project management (EPM)	90 days
		Additional applications/modules	TBD
3.	Shared jobs	HR jobs	Contract Term
		Procurement jobs	Contract Term
		Financial jobs	Contract Term

Source: The Company

The agreement shall enter into force on 17/02/1443H (corresponding to 24/09/2021G), and shall expire on 20/03/1446H (corresponding to 23/09/2024G).

Payments shall be made to Emdad Al Khebrat against bills submitted to the governmental entity, which must be settled within sixty (60) days after the government entity accepts the services.

The governmental entity may terminate the agreement or any purchase order at any time under a five (5) day written notice, and it must pay the fees arising from any accreditation document under any purchase order as of the termination date. The governmental entity may further cancel the work and complete the services at the expense of Emdad Al Khebrat in the following cases:

- If Emdad Al Khebrat fails to perform the services pursuant to its contractual obligations in the purchase order, or if it delays the performance to the extent that such renders it unlikely to complete the works on time, provided that a five (5) day written notice of termination of service is served.
- If it is established that Emdad Al Khebrat has paid money, directly or indirectly, or offered, or promised to do so in order to enter into this agreement.
- If Emdad Al Khebrat fails to amend its obligations under the agreement, or abandons such obligations, or if it assigns subcontracts, in whole or in part, without obtaining the prior written consent of the governmental entity.
- In the event that Emdad Al Khebrat is declared bankrupt, placed under receivership, is dissolved, or liquidated.

Emdad Al Khebrat shall keep confidential and shall not disclose, for any reason, any information it obtained under the agreement for any purpose other than the purposes specified under the agreement and the relevant purchase orders, and subject to prior written consent by the governmental entity.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute that cannot be settled amicably shall be referred to the competent courts in the Kingdom.

c) Agreement with an entity

Emdad Al Khebrat entered into an agreement with an entity dated 09/08/1441H (corresponding to 02/04/2020G) whereby Emdad Al Khebrat shall provide certain services for a term of two (2) Gregorian years commencing on 06/05/1441H (corresponding to 01/01/2020G).

The total value of the agreement is twenty-seven million nine hundred sixty-three thousand six hundred fifty-nine and twelve halalas Saudi Riyals (SAR 27,963,659.12).

The contracting entity may terminate the agreement at any time pursuant to a 30-day notice, provided that it shall pay all due amounts to Emdad Al Khebrat in exchange of completed services and reimburse Emdad Al Khebrat for any actual expenses.

Emdad Al Khebrat shall keep confidential and shall not disclose, for any reason, any information it obtained under the agreement.

The agreement shall be governed by the laws in force in the Kingdom. Any dispute that cannot be settled amicably within ninety (90) days shall be referred to the Board of Grievances.

12-6-8 Financing Agreements

The Company has entered into two finance agreements, under which it obtained funding from Riyad Bank and Samba Financial Group (currently, Saudi National Bank). These agreements are outlined as follows:

a) Islamic financing agreement with Riyad Bank

Table (12-8): Summary of the Provisions of an Islamic Financing Agreement with Riyad Bank

Parties	The Company and Riyad Bank
Date	12/01/1441H (corresponding to 11/09/2019G)
Total Financing	Three hundred million Saudi Riyals (SAR 300,000,000)
Type of Financing	Securitization facilities
Term	Until 15/02/1444H (corresponding to 11/09/2022G)
Purpose	-
Guarantees	A promissory note submitted by the Company in the amount of three hundred million Saudi Riyals (SAR 300,000,000), payable to Riyad Bank.

Termination	Riyad Bank has the right to demand payment of the remaining unpaid balance of the instalments of the financing instruments provided to the Company under the Islamic Financing Agreement: • The Company's failure to pay any amounts or fulfil any other obligations due to Riyad Bank under the provisions of the Islamic Finance Agreement or the procedures or undertakings signed thereby, or their invalidity was established for a period of (15) days. • The existence of a claim, judicial procedure, or attachment or if any order, award, or judgement issued to liquidate the Company's business or appoint a receiver against it, one of its sponsors, or a sister/affiliate company, except for awards to change the legal form or merger whose terms has been previously accepted in writing by Riyad Bank. • Suspension by the Company of fulfilling any of its other obligations, or if it stops paying them, or provides a written notice to Riyad Bank of its intention to stop undertaking its activity or an important part thereof, or if it becomes unable to fulfil its obligations. • The Company's failure to pay any amounts due on the due dates, or if it becomes obliged to fulfil any obligations despite the notification of Riyad Bank, or if the Company's financial conditions deteriorate to the extent that Riyad Bank believes the Company is unable to fulfil its remaining obligations. • The breach by the Company, one of its subsidiaries, or one of its sister companies, of any of its obligations, undertakings or declarations under any financial agreements or arrangements, whether with Riyad Bank or any other creditor. • Any modification in the legal form, ownership, or management structure of the Company or any of its subsidiaries or sister companies, without obtaining the written consent of Riyad Bank. • If the Company or its guarantors or warrantors become insolvent or are unable to pay their debts when they become due for any other reason, or there are legal proceedings related to insolvency or bankruptcy, the appointment of a liquidator regarding the assets of the Company, its guarantors, or warrantors, or any other similar proceeding under the laws of another state, or if the Company, its guarantors, or warrantors invite creditors to conduct a protective settlement against bankruptcy, or in the event of confiscation, freezing, or liquidation of all or some of the funds and assets. • The Company's breach of any of its contractual obligations, representations, guarantees, covenants, and financial obligations under the agreement, or the Company's breach of the validity or accuracy of any declarations, statements, or information provided under the agreement. • The breach of any of the guarantors or warrantors of any of their joint obligations. • Issuance of any ruling, judgements, or awards against the Company, its subsidiaries, or sister companies which, in the opinion of Riyad Bank, may have or could have a negative impact on it. • When the implementation of the obligations under the agreement would contradict with any law or regulation.
Jurisdiction	The interpretation of this agreement is subject to the applicable Saudi regulations and laws, as well as the circulars and instructions of the Saudi Central Bank, in a manner that does not conflict with the provisions of the Sharia. The interpretation of this agreement with respect to credits is also subject to and based on the unified norms and customs issued by the International Chamber of Commerce. In the event that a dispute arises between the parties to the agreement and it cannot be resolved amicably, it shall be referred to the competent judicial authority.

Source: The Company

It should be noted that the Company obtained the approval of Riyad Bank and its acknowledgement that the change in the legal and ownership structure of the Company as a result of the Offering does not constitute a breach of the agreement, according to the letter dated 24/12/1442H (corresponding to 03/08/2021G).

b) Facility agreement with Samba Financial Group (currently Saudi National Bank)

Table (12-9): Summary of the Provisions of a Facility Agreement with Samba Financial Group (Currently Saudi National Bank)

Parties	The Company and Samba Financial Group (currently Saudi National Bank)
Date	17/02/1442H (corresponding to 04/10/2020G)
Total Financing	A general guarantee letter in the amount of one hundred million Saudi Riyals (SAR 100,000,000). General letter of credit in the amount of one million Saudi Riyals (SAR 1,000,000).
Type of Financing	-
Term	-
Purpose	Issuance of bid and performance bonds, advance payment bonds, and import letters of credit
Guarantees	a. Audited financial statements b. Unaudited semi-annual financial statements
Termination	• Any of the following events and circumstances constitute a breach of this agreement: • If the Company fails to settle any amount payable under this agreement or any other agreement or guarantee document or if it breaches any of the covenants contained in this agreement or any guarantee document. • If the Company or any of the guarantors breach any of their obligations under this agreement or any other agreement or guarantee document, and fail to rectify such breach within (7) days from the date on which the Company discovers such breach occurred or from the date of receiving a written notice from Samba Financial Group, whichever is earlier. • If any debt payable by the Company to Samba Financial Group or any other party becomes due or may be considered payable before its specified due date or is not paid when it becomes due. • If the Company suspends or postpones the payment of its debts to its creditors, becomes unable, is considered insolvent under the applicable regulations, acknowledges its inability to pay its debts when they are due, seeks any settlement with its creditors or any category of them, initiates any action to protect debtors, declares its insolvency or bankruptcy, or has become actually insolvent. • In the event of the bankruptcy, death, or insolvency of the guarantor (if a natural person) or any guarantor's termination or suspension of any present or future obligation regarding the amounts granted to the Company under this agreement or any other agreement. • Issuance of any law, regulation, or order or any amendment to any law, regulation, or order that changes or is interpreted as altering, suspending, terminating, or relieving the Company or any of the guarantee providers from performing their obligations under the agreement or any other agreement or guarantee document. • Any situation that Samba Financial Group considers as constituting a reasonable basis for believing that a material negative change may occur in the business, financial, administrative, or legal status of the Company or the results of operations, the future of the Company or the guarantee providers, or the ability of the Company or any of the guarantee providers to implement their obligations under the agreement or any other agreement or guarantee document. In the event of any of the above breaches, Samba Financial Group may, under a written notice sent to the Company, do the following: • expedite payment of the facilities; • clear and use any credit balance in any Company account; • Sell any guarantee, investment, or property belonging to the Company that is in the possession of Samba Financial Group and withholding all or any part of the sale proceeds to cover the amounts payable under the agreement; and • suspend, cancel, or reduce the facilities granted under the agreement at its sole discretion and without prior notice to the Company.

Material Restrictions	The Company undertakes the following to Samba Financial Group: • provide Samba Financial Group, within a period not exceeding 120 days after the end of each financial year, with a copy of the audited financial statements; • notify Samba Financial Group immediately upon the occurrence of any breach or possible breach; • maintain its financial, administrative, or legal status and the ownership of the entity, not change its activity, and conduct its business in accordance with the applicable laws and regulations; • guarantee to Samba Financial Group that the Company's obligations under the agreement can be dissolved at all times and are in all respects at least "**equal**" to all of its other current and future obligations; • not to allow the issuance or approval of the issuance of new shares or stocks or grant the right to subscribe to the Company's shares to any person, except for a current shareholder or partner in the Company; and • Not change the legal form of the Company, whether the type of company, partners, its purposes, or ownership, except with the prior written approval of Samba Financial Group. Violation of such is considered a breach of the agreement.
Jurisdiction	This agreement is subject to the provisions, regulations, laws, and banking customs in force in the Kingdom. The Banking Disputes Settlement Committee shall be competent to settle disputes and claims arising from this agreement.

Source: The Company

It should be noted that the Company obtained the approval of Samba Financial Group and its acknowledgement that the change in the legal and ownership structure of the Company as a result of the Offering is not a breach of the agreement, according to the letter dated 28/11/1442H (corresponding to 08/07/2021G).

12-6-9 Real estate agreements

a) Sale contract with Raidah Investment Company

The Company entered into a sale contract on 29/08/1432H (corresponding to 30/07/2011G) with Raidah Investment Company, an affiliate of the Public Pension Agency, which has the right over property No. KB03 located in Al Nakheel district in Riyadh, with a total area of six thousand, four hundred forty (6,440) square meters. According to the contract, the Company wishes to buy the plot from Raidah Investment Company and Raidah Investment Company agreed to develop the infrastructure of the plot, construct a building, and sell the plot under annual instalments. Upon payment of all annual instalments, the ownership of the land and building shall be transferred to the Company within one month from the payment of the last instalment.

During the validity of the agreement, and until the payment of the last instalment and the transfer of ownership to the Company, the Company remains a lessee. These annual instalments represent annual rent until the full payment is received. The agreement starts from 08/10/1432H (corresponding to 06/09/2011G) till the date of the last instalment paid by the Company, which is due on 22/10/1445H (corresponding to 01/05/2024G).

The total price of the contract is two hundred ninety-three million, four hundred thirteen thousand, two hundred and eighty-nine Saudi Riyals (SAR 293,413,289) divided in annual instalments for a period of thirteen (13) years.

If the Company fails to pay three (3) consecutive instalments, Raidah Investment Company is entitled to notify the Company in writing and has the right to evict the Company from the building and the property completely in the event of non-payment within forty five (45) days.

The agreement is subject to the laws and regulations of the Kingdom. Any dispute arising from the agreement that cannot be resolved amicably within sixty (60) days shall be referred to the competent courts.

b) Build. Own, and Transfer ("**BOT**") agreement with Riyadh Valley Company

The Company entered into a BOT agreement with Riyadh Valley Company on 11/07/1440H (corresponding to 18/03/2019G). Under the agreement, Riyadh Valley Company owns a plot with a total area of twenty-two thousand, one hundred and thirty-two (22,132) square meters, in addition to one hundred and seven (107) square meters for an electricity room located along Imam Saud Road at King Saud University. Some rights will be transferred to the Company to carry out construction and operation works. The rights granted to the Company include:

1) absolute rights to exploit or use the site, provided that such does not conflict with the agreement.

2) the right to sub-lease the site in whole or part through a real estate developer.

3) the right to develop the project infrastructure and deliver services to the site.

4) the right to design and construct the site.

Upon completion of all development works, the Company shall return ownership of the plot to Riyadh Valley Company. Based on the minutes of the Board of Directors meeting No. 53 dated 26/06/1440H (corresponding to 03/03/2019G), the Company is utilising the site under the agreement to establish "**Elm Innovation Center**" and other centres related to the Company's activities.

The term of the agreement is thirty-three (33) years starting from 10/01/1441H (corresponding to 09/09/2019G), renewed for a period of one year if the Company so requests, subject to the approval of Riyadh Valley Company.

The total value of the agreement is eighty-nine million, four hundred seventy-four thousand, one hundred and forty-five Saudi Riyals (SAR 89,474,145) divided into annual instalments.

All rights provided by Riyadh Valley Company to the Company regarding the plot shall be exclusive to the Company for the term of the agreement. During the term of the agreement, each party shall notify the other party of any changes in the ownership shares of each company. The Company had notified Riyadh Valley Company about a possible change in the Company's ownership as a result of the Offering.

The agreement is subject to the laws and regulations of the Kingdom. Any dispute arising from the agreement that cannot be resolved amicably within forty-five (45) days shall be referred to the competent courts.

12-6-10 Information Technology License Agreements

a) TTTC License Agreement

The Company entered into a TTTC license agreement with TTTC on 03/03/1441H (corresponding to 13/10/2019G), whereby TTTC is deemed an authorized agent of Microsoft in the Kingdom and provides the Company with licenses for software and its applications, in addition to the necessary technical support for a period of three (3) years.

The term of the agreement is three (3) years, renewable upon the written consent of both parties thirty (30) days prior to the expiry date of the agreement. The agreement may be terminated under a notice of thirty (30) days by TTTC prior to the expiration of the annual license.

All intellectual property rights remain the property of the party that possessed them prior to the date of conclusion of the agreement. In addition, all intellectual property rights created by TTTC under the TTTC License Agreement (2) remain the property of the Company. TTTC may not issue any reports or articles on these intellectual property rights without the prior written consent of the Company.

12-7 Related Party Transactions

The total value of the group's transactions with Related Parties amounted to eight million, six hundred seventeen thousand, eight hundred and seventy-seven Saudi Riyals (SAR 8,617,877); twenty-four million, seven hundred ninety-nine thousand, five hundred and ninety-three Saudi Riyals (SAR 24,799,593) and twenty-six million, two hundred forty-eight thousand, five hundred and twenty-four Saudi Riyals (SAR 26,248,524) in the financial years ended 31 December 2018, 2019, and 2020, respectively. This section provides a summary of the material agreements with the Directors, which the Directors deem material with regard to the Company's business or that may affect investors' decisions to subscribe to the Offer Shares. The summary of the agreements and contracts set out below does not include all terms and conditions and cannot be deemed a substitute for the terms and conditions contained in those agreements.

The Directors declare that all agreements with Related Parties described in this section do not include any preferential terms and have been entered into in a regular and legal manner and on appropriate and fair commercial bases. Except as mentioned in this section of the Prospectus, the Directors declare that the Company is not involved in any transactions, agreements, commercial relationships, or real estate deals with a Related Party, including the Financial Advisor and Legal Advisor for the Offering.

The Directors also declare their intention to abide by Article 72 of the Companies Law and the instructions of Article 46 of the Corporate Governance Regulation issued by the Authority regarding agreements with the Related Parties.

12-7-1 Transactions in which the Directors have a direct or indirect interest

a) Agreements entered into with a government entity

The Company has entered into the following agreements with a government entity:

1) an agreement for the development of data and information sources;
2) a memorandum of understanding;
3) a memorandum of understanding (2);
4) a contract to develop and operate the Absher platform; and
5) a value-added services agreement for the Absher platform.

(For more information about the Group's material agreements with its governmental and semi-governmental clients, please see Section 12-6 "**Material Agreements**" of this Prospectus.)

The above agreements are entered into with a Related Party, since the Director Issam Abdullah Al Waqit holds an administrative position in the government entity. Thus, he has an interest in the above agreements in accordance with the fourth paragraph of Article 58 of the Rules of Listed Companies. This requires the approval of the General Assembly in accordance with Article 71 of the Companies Law. The Company obtained the approval of General Assembly in relation to these agreements on 20/04/1443H (corresponding to 25/11/2021G).

b) Purchase Order with a government entity

A purchase order was entered into on 27/07/1442H (corresponding to 11/03/2021G) between the Company and a health program of the government entity, according to which the Company operates sites in the medical city of the government entity. The total value of the purchase order issued by the government entity is nine million, seven hundred thousand and forty-five Saudi Riyals (SAR 9,700,045).

The purchase order issued by the government entity is considered to be entered into with a Related Party, since the Directors Raed Abdullah bin Ahmed, Fahd Ibrahim Al Zaraa, and Abdullah Abdulrahman Al Rabiah hold administrative positions in the government entity. Thus, they have an interest in the purchase order in accordance with the fourth paragraph of Article 58 of the Rules of Listed Companies. This requires the approval of the General Assembly in accordance with Article 71 of the Companies Law. The Company obtained the approval of General Assembly in relation to these agreements on 20/04/1443H (corresponding to 25/11/2021G).

12-7-2 Transactions with Subsidiaries

a) Data connectivity services agreement with Tabadul

The Company entered into an agreement to provide and operate air waybill data services by recipient ID number in accordance with the mechanism of participation with Tabadul Company commencing on 25/03/1440H (corresponding to 03/12/2018G). Both parties agree to establish a system dedicated to enabling air freight agencies to control the process of verifying the data of recipients of air shipments coming to the Kingdom by linking each waybill number to the ID number of the recipient. This will be done through electronic linking with the relevant government entities by sending verified data from the Washaj platform, which is affiliated to the Company, to the Fasah platform, which is affiliated to Tabadul Company, in order to complete the necessary procedures to clear the shipments. (For more information about the Group's material agreements with its government and semi-governmental clients, please see Section 12-6 "**Material Agreements**" of this Prospectus.)

The data link services agreement entered into with Tabadul Company is deemed to be entered into with a Related Party because it was entered into with the Company's subsidiaries in accordance with the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations. However, it does not require obtaining the approval of the General Assembly in accordance with Article 71 of the Companies Law.

b) Emdad Al Khebrat Agreements

The Company entered into two agreements with Emdad Al Khebrat on 08/04/1436H (corresponding to 28/01/2015G). Pursuant to such agreements, Emdad Al Khebrat shall provide staff and human resources services at the Company's request (for more information about the Group's material agreements entered into with its governmental and quasi-governmental clients, please see Section 12-6 "**Material Agreements**" of this Prospectus).

The above transactions are deemed to be entered into with a Related Party because they were entered into with the Company's subsidiaries in accordance with the definition of Related Parties under the Rules on the Offer of Securities and Continuing Obligations. However, they do not require obtaining the approval of the General Assembly in accordance with Article 71 of the Companies Law.

12-7-3 Related Party Transactions of Tabadul

a) Agreement with a government entity

Tabadul entered into an agreement with a government entity on 17/03/1441H (corresponding to 14/11/2019G). Such agreement relates to the operation of an electronic platform by Tabadul Company in cooperation with the governmental entity (for more information about the Group's material agreements entered into with its governmental and quasi-governmental clients, please see Section 12-6 "**Material Agreements**" of this Prospectus).

The agreement with the governmental entity is deemed to be entered into with a Related Party because Tabadul Director Ahmed Abdul Aziz Al Haqbani has an indirect interest in the governmental entity. This agreement was presented to the Tabadul General Assembly held on 12/10/1441H (corresponding to 04/06/2020G) and it was approved.

b) Agreement with a governmental entity

Tabadul entered into an agreement with a governmental entity on 13/07/1441H (corresponding to 08/03/2020G). Pursuant to this agreement, Tabadul shall develop and operate online services and applications within the unified online import and export system in order to automate the services and operations of the government entity through the Fasah platform, which is affiliated to Tabadul (for more information about the Group's material agreements entered into with its governmental and quasi-governmental clients, please see Section 12-6 "**Material Agreements**" of this Prospectus).

The agreement is deemed to be entered into with a Related Party because Tabadul Director Saad Abdul Aziz Al Khalb, has an indirect interest in the governmental entity. This agreement was presented to the Tabadul General Assembly held on 12/10/1441H (corresponding to 04/06/2020G) and it was approved.

12-8 Real Estate

12-8-1 Real Estate Owned by the Company

Other than as mentioned in Section 12-6-9 "**Real Estate Agreements**" of this Prospectus, the Directors declare that neither the Company nor Emdad Al Khebrat own any real estate as at the date of this Prospectus. Tabadul owns one property in the Kingdom. The following table shows the details of the real estate owned by Tabadul as at the date of this Prospectus:

Table (12-10): Real Estate Owned by Tabadul

#	Deed No.	Deed Date	Property Owner	Property Location	Purpose	Area (sq m)
1.	210104019340	07/02/1432H (corresponding to 11/01/2011G)	Tabadul	A plot of land in Plan No. 674/A located in Al Rayyan district in Riyadh.	Unspecified	1,005

Source: The Company

12-8-2 Real Estate Rented by the Company

The following table shows the details of the real estate rented by the Company:

Table (12-11): Real Estate Rented by the Company and Tabadul

#	Lessee	Lessor	Location	Lease Effective Date	Annual Rent Amount (SAR)	Lease Term
1.	The Company	Abdul Mohsen bin Khalid Al Muqrin	The second office floor, with a total area of 16,550 square meters, located in Olaya Avenue Center, Riyadh.	01/07/1435H (corresponding to 30/04/2014G)	10,000,000 annually, exclusive of tax. 757,500 annually for shared utilities and services.	Ten years, automatically renewable
2.	The Company	Abdul Mohsen bin Khalid Al Muqrin	Offices No. 123 and 124 with a total area of 120 square meters, located in Olaya Avenue Center, King Fahd Road, Riyadh.	01/04/1436H (corresponding to 21/01/2015G)	84,000 annually, exclusive of tax. 8,400 annually for shared services.	Three years, automatically renewable

3.	The Company	Mishaal bin Abdullah bin Ahmed Al Sharia	Store and offices No. 835, 834, 833, and 832 in Plan No. 3069 with a total area of 2,700 square meters, located in Al Malqa District, Riyadh.	25/04/1440H (corresponding to 01/01/2019G)	2,700,000 annually	Four years, automatically renewable
4.	The Company	Endowments of Abdullah bin Turki Al Dhahyan	Stores No. 9 to 23, first floor offices No. 12 to 36, offices of the entire southern annex No. 59 to 70), with an area of 12,530 square meters, Al Narjis Administrative and Commercial Center 112 , Abu Bakr Al Siddiq Road, Al Narjis District in Riyadh	04/03/1441H (corresponding to 01/11/2019G)	9,000,000 annually 6,500,000 for the third year if the contract is renewed	Two years, automatically renewable
5.	The Company	Abdullah Al Shoail and Sons Real Estate Company	A building with a total area of 3,464 square meters located in Al Maathar district, Riyadh.	22/10/1431H (corresponding to 01/10/2010G)	2,000,000 annually as of 22/10/1431H (corresponding to 01/10/2010G) till 20/01/1440H (corresponding to 30/09/2018G) 1,860,000 annually as of 21/01/1440H (corresponding to 01/10/2018G) till 23/02/1443H (corresponding to 30/09/2021G)	Three years, automatically renewable
6.	The Company	Prince Saud bin Fahd bin Abdulaziz Al Saud	Offices No. 1409 and 1408 with a total area of 406.10 square meters located in a tower on King Abdulaziz Road, Jeddah.	21/11/1442H (corresponding to 01/07/2021G)	456,636.6 annually	One year, renewable by mutual agreement
7.	The Company	Abdul Mohsen bin Khalid Al Muqrin	Office No. 3013 with an area of 2,000 square meters, located in Olaya Avenue Center, King Fahd Road, Riyadh.	01/12/1435H (corresponding to 25/09/2014G)	1,400,000 annually 140,000 annually for shared services	Three years, automatically renewable
8.	The Company	Abdul Mohsen bin Khalid Al Muqrin	Office No. 3080 with an area of 1,325 square meters, located in Olaya Avenue Center, King Fahd Road, Riyadh.	01/01/1436H (corresponding to 25/10/2014G)	795,000 annually 79,500 annually for shared services	Three years, automatically renewable
9.	The Company	Abdul Mohsen bin Khalid Al Muqrin	Offices No. 3082-3083 with a total area of 1,127 square meters, located in Olaya Avenue Center, King Fahd Road, Riyadh.	01/08/1436H (corresponding to 19/05/2015G)	676,200 annually 67,620 annually for shared services	Three years, automatically renewable
10.	Tabadul	Abdulaziz Mohammed Al Mousa	An office building located on Al Urubah Road in Al Olaya District, Riyadh.	01/08/1439H (corresponding to 17/04/2018G)	2,600,000 to be paid in two equal instalments per year.	Five years, automatically renewable

Source: The Company

12-9 Intangible Assets

12-9-1 Tradem rks

The Company and its subsidiaries have registered a number of trademarks with the Trademarks Department at the Ministry of Commerce. The Company and its subsidiaries depend on their trademarks in their business and in marketing their services, so the inability of the Company and its subsidiaries to protect their trademarks or having to take legal action to protect them may negatively and fundamentally affect their ability to use them, which will affect the conduct of their business and the results of their operations (for more information about the risks associated with this matter, please see Section 2-1 "**Risks Related to the Company's Business**" of this Prospectus). The following table shows the main details of the trademarks registered by the Company and its subsidiaries:

Table (12-12): Main Details of the Trademarks Registered by the Company and its Subsidiaries

#	Trademark	Country of Registration	Owner	Registration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
1.	علم Elm	The Kingdom	The Company	1435010863	21/06/1435H (corresponding to 21/04/2014G)	20/06/1445H (corresponding to 02/01/2024G)	35	Serve the Company's Business or products
2.	علم Elm	The Kingdom	The Company	1435010864	21/06/1435H (corresponding to 21/04/2014G)	20/06/1445H (corresponding to 02/01/2024G)	38	Serve the Company's Business or products
3.	علم Elm	The Kingdom	The Company	1435010866	21/06/1435H (corresponding to 21/04/2014G)	20/06/1445H (corresponding to 02/01/2024G)	39	Serve the Company's Business or products
4.	علم Elm	The Kingdom	The Company	1435010865	21/06/1435H (corresponding to 21/04/2014G)	20/06/1445H (corresponding to 02/01/2024G)	42	Serve the Company's Business or products
5.	أشّر Asher	The Kingdom	The Company	1435009448	24/05/1435H (corresponding to 25/03/2014G)	23/05/1445H (corresponding to 07/12/2023G)	35	For the purpose of providing a service or project with a client
6.	أشّر Asher	The Kingdom	The Company	1435009446	24/05/1435H (corresponding to 25/03/2014G)	23/05/1445H (corresponding to 07/12/2023G)	38	For the purpose of providing a service or project with a client
7.	أشّر Asher	The Kingdom	The Company	1435009447	24/05/1435H (corresponding to 25/03/2014G)	23/05/1445H (corresponding to 07/12/2023G)	42	For the purpose of providing a service or project with a client
8.	صناعي Senai	The Kingdom	The Company	1440013143	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	9	For the purpose of providing a service or project with a client
9.	صناعي Senai	The Kingdom	The Company	1440013145	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	35	For the purpose of providing a service or project with a client
10.	صناعي Senai	The Kingdom	The Company	1440013147	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	42	For the purpose of providing a service or project with a client

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
11.	صناعي Senai	The Kingdom	The Company	1440013148	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	45	For the purpose of providing a service or project with a client
12.	ضامن Dhamen	The Kingdom	The Company	1441002997	21/02/1441H (corresponding to 20/10/2019G)	20/02/1451H (corresponding to 02/07/2029G)	9	Serve the Com-pany's Business or products
13.	ضامن Dhamen	The Kingdom	The Company	1441002999	21/02/1441H (corresponding to 20/10/2019G)	20/02/1451H (corresponding to 02/07/2029G)	36	Serve the Com-pany's Business or products
14.	حيّاك Hayyak	The Kingdom	The Company	1435018409	09/10/1435H (corresponding to 05/08/2014G)	08/10/1445H (corresponding to 17/04/2024G)	39	For the purpose of providing a service or project with a client
15.	حيّاك Hayyak	The Kingdom	The Company	1435018408	09/10/1435H (corresponding to 05/08/2014G)	08/10/1445H (corresponding to 17/04/2024G)	42	For the purpose of providing a service or project with a client
16.	خطوة Khutwa	The Kingdom	The Company	1435009358	24/05/1435H (corresponding to 25/03/2014G)	23/05/1445H (corresponding to 07/12/2023G)	38	Serve the Com-pany's Business or products
17.	خطوة Khutwa	The Kingdom	The Company	1435009359	24/05/1435H (corresponding to 25/03/2014G)	23/05/1445H (corresponding to 07/12/2023G)	42	Serve the Com-pany's Business or products
18.	داري Dari	The Kingdom	The Company	1440025881	04/11/1440H (corresponding to 07/07/2019G)	03/11/1450H (corresponding to 18/03/2029G)	37	Serve the Com-pany's Business or products
19.	داري Dari	The Kingdom	The Company	1440025878	04/11/1440H (corresponding to 07/07/2019G)	03/11/1450H (corresponding to 18/03/2029G)	42	Serve the Com-pany's Business or products
20.	دورك Dawrak	The Kingdom	The Company	1441023996	28/08/1441H (corresponding to 21/04/2020G)	27/08/1451H (corresponding to 02/01/2030G)	35	Serve the Com-pany's Business or products
21.	دورك Dawrak	The Kingdom	The Company	1441023997	28/08/1441H (corresponding to 21/04/2020G)	27/08/1451H (corresponding to 02/01/2030G)	38	Serve the Com-pany's Business or products
22.	دورك Dawrak	The Kingdom	The Company	1441023998	28/08/1441H (corresponding to 21/04/2020G)	27/08/1451H (corresponding to 02/01/2030G)	41	Serve the Com-pany's Business or products
23.	دورك Dawrak	The Kingdom	The Company	1441024002	28/08/1441H (corresponding to 21/04/2020G)	27/08/1451H (corresponding to 02/01/2030G)	43	Serve the Com-pany's Business or products
24.	راية Rayah	The Kingdom	The Company	1436020424	14/10/1436H (corresponding to 30/07/2017G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Com-pany's Business or products
25.	راية Rayah	The Kingdom	The Company	1436020425	14/10/1436H (corresponding to 20/07/2017G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Com-pany's Business or products

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
26.	راية Rayah	The Kingdom	The Company	1436020426	14/10/1436H (corresponding to 20/07/2017G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Company's Business or products
27.	راية Rayah	The Kingdom	The Company	1436020427	14/10/1436H (corresponding to 20/07/2017G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Company's Business or products
28.	سلامة Salamah	The Kingdom	The Company	1437011670	22/05/1437H (corresponding to 02/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	9	For the purpose of providing a service or project with a client
29.	سلامة Salamah	The Kingdom	The Company	1437011671	22/05/1437H (corresponding to 02/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	35	For the purpose of providing a service or project with a client
30.	سلامة Salamah	The Kingdom	The Company	1437011672	22/05/1437H (corresponding to 02/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	38	For the purpose of providing a service or project with a client
31.	سلامة Salamah	The Kingdom	The Company	1437011673	22/05/1437H (corresponding to 02/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	42	For the purpose of providing a service or project with a client
32.	شموس Shomoos	The Kingdom	The Company	1440013125	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	9	For the purpose of providing a service or project with a client
33.	شموس Shomoos	The Kingdom	The Company	1440013126	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	35	For the purpose of providing a service or project with a client
34.	شموس Shomoos	The Kingdom	The Company	1440013127	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	36	For the purpose of providing a service or project with a client
35.	شموس Shomoos	The Kingdom	The Company	1440013129	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	38	For the purpose of providing a service or project with a client
36.	شموس Shomoos	The Kingdom	The Company	1440013130	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	42	For the purpose of providing a service or project with a client
37.	شموس Shomoos	The Kingdom	The Company	1440013132	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	43	For the purpose of providing a service or project with a client
38.	علمني Allimni	The Kingdom	The Company	1436020392	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Company's Business or products
39.	علمني Allimni	The Kingdom	The Company	1436020393	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Company's Business or products

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
40.	علمي Allimni	The Kingdom	The Company	1436020394	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Com-pany's Business or products
41.	علمي Allimni	The Kingdom	The Company	1436020395	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Com-pany's Business or products
42.	كاشف Kashef	The Kingdom	The Company	1436020440	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Com-pany's Business or products
43.	كاشف Kashef	The Kingdom	The Company	1436020442	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Com-pany's Business or products
44.	كاشف Kashef	The Kingdom	The Company	1436020443	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Com-pany's Business or products
45.	كلنا أمن	The Kingdom	The Company	1440013167	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	9	For the purpose of providing a service or project with a client
46.	كلنا أمن	The Kingdom	The Company	1440013168	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	35	For the purpose of providing a service or project with a client
47.	كلنا أمن	The Kingdom	The Company	1440013169	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	38	For the purpose of providing a service or project with a client
48.	كلنا أمن	The Kingdom	The Company	1440013172	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	44	For the purpose of providing a service or project with a client
49.	لقاء Leeqa	The Kingdom	The Company	1436020396	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Com-pany's Business or products
50.	لقاء Leeqa	The Kingdom	The Company	1436020397	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Com-pany's Business or products
51.	لقاء Leeqa	The Kingdom	The Company	1436020398	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Com-pany's Business or products
52.	لقاء Leeqa	The Kingdom	The Company	1436020399	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Com-pany's Business or products
53.	مزادات Mzadat	The Kingdom	The Company	1440014279	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	9	Serve the Com-pany's Business or products
54.	مزادات Mzadat	The Kingdom	The Company	1440014280	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	12	Serve the Com-pany's Business or products

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
55.	مزادات Mzadat	The Kingdom	The Company	1440014284	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	14	Serve the Company's Business or products
56.	مزادات Mzadat	The Kingdom	The Company	1440014286	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	35	Serve the Company's Business or products
57.	مزادات Mzadat	The Kingdom	The Company	1440014288	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	38	Serve the Company's Business or products
58.	مزادات Mzadat	The Kingdom	The Company	1440014290	21/06/1440H (corresponding to 26/02/2019G)	20/06/1450H (corresponding to 07/11/2028G)	45	Serve the Company's Business or products
59.	مسارات Masarat	The Kingdom	The Company	1437013234	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	9	Serve the Company's Business or products
60.	مسارات Masarat	The Kingdom	The Company	1437013235	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	12	Serve the Company's Business or products
61.	مسارات Masarat	The Kingdom	The Company	1437013236	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	35	Serve the Company's Business or products
62.	مسارات Masarat	The Kingdom	The Company	1437013237	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	38	Serve the Company's Business or products
63.	مسارات Masarat	The Kingdom	The Company	1437013238	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	39	Serve the Company's Business or products
64.	مسارات Masarat	The Kingdom	The Company	1437013239	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	42	Serve the Company's Business or products
65.	مقيم Muqeem	The Kingdom	The Company	1436020414	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	For the purpose of providing a service or project with a client
66.	مقيم Muqeem	The Kingdom	The Company	1436020415	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	For the purpose of providing a service or project with a client
67.	مقيم Muqeem	The Kingdom	The Company	1436020416	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	For the purpose of providing a service or project with a client
68.	مقيم Muqeem	The Kingdom	The Company	1436020417	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	For the purpose of providing a service or project with a client
69.	موجز Mojaz	The Kingdom	The Company	1436000858	13/01/1436H (corresponding to 06/02/2014G)	12/01/1446H (corresponding to 18/07/2024G)	35	Serve the Company's Business or products
70.	موجز Mojaz	The Kingdom	The Company	1436000859	13/01/1436H (corresponding to 06/02/2014G)	12/01/1446H (corresponding to 18/07/2024G)	38	Serve the Company's Business or products

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71.	موجز Mojaz	The Kingdom	The Company	1436000860	13/01/1436H (corresponding to 06/02/2014G)	12/01/1446H (corresponding to 18/07/2024G)	39	Serve the Company's Business or products
72.	موجز Mojaz	The Kingdom	The Company	1436000861	13/01/1436H (corresponding to 06/02/2014G)	12/01/1446H (corresponding to 18/07/2024G)	42	Serve the Company's Business or products
73.	موعد Moued	The Kingdom	The Company	1436020403	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Company's Business or products
74.	موعد Moued	The Kingdom	The Company	1436020404	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Company's Business or products
75.	موعد Moued	The Kingdom	The Company	1436020405	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Company's Business or products
76.	موعد Moued	The Kingdom	The Company	1436020406	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Company's Business or products
77.	نجاة Najah	The Kingdom	The Company	1436020437	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	9	For the purpose of providing a service or project with a client
78.	نجاة Najah	The Kingdom	The Company	1436020433	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	For the purpose of providing a service or project with a client
79.	نجاة Najah	The Kingdom	The Company	1436020434	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	For the purpose of providing a service or project with a client
80.	نجاة Najah	The Kingdom	The Company	1436020435	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	For the purpose of providing a service or project with a client
81.	نجاة Najah	The Kingdom	The Company	1436020436	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	For the purpose of providing a service or project with a client
82.	نذير Natheer	The Kingdom	The Company	1436020446	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Company's Business or products
83.	نذير Natheer	The Kingdom	The Company	1436020447	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Company's Business or products
84.	نذير Natheer	The Kingdom	The Company	1436020448	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Company's Business or products
85.	نذير Natheer	The Kingdom	The Company	1436020449	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Company's Business or products
86.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013154	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	9	For the purpose of providing a service or project with a client

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87.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013155	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	10	For the purpose of providing a service or project with a client
88.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013156	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	35	For the purpose of providing a service or project with a client
89.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013157	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	38	For the purpose of providing a service or project with a client
90.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013161	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	42	For the purpose of providing a service or project with a client
91.	نظام المعلومات الصحية Health Information System	The Kingdom	The Company	1440013163	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/10/2028G)	44	For the purpose of providing a service or project with a client
92.	هدهد HUDHUD	The Kingdom	The Company	1436016216	09/08/1436H (corresponding to 27/05/2015G)	08/08/1446H (corresponding to 08/02/2025G)	35	Serve the Com-pany's Business or products
93.	هدهد HUDHUD	The Kingdom	The Company	1436016214	09/08/1436H (corresponding to 27/05/2015G)	08/08/1446H (corresponding to 08/02/2025G)	38	Serve the Com-pany's Business or products
94.	هدهد HUDHUD	The Kingdom	The Company	1436016215	09/08/1436H (corresponding to 27/05/2015G)	08/08/1446H (corresponding to 08/02/2025G)	39	Serve the Com-pany's Business or products
95.	هدهد HUDHUD	The Kingdom	The Company	1436016217	09/08/1436H (corresponding to 27/05/2015G)	08/08/1446H (corresponding to 08/02/2025G)	42	Serve the Compa-ny's Business or products
96.	يقين Yakeen	The Kingdom	The Company	1436020409	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Com-pany's Business or products
97.	يقين Yakeen	The Kingdom	The Company	1436020410	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Compa-ny's Business or products
98.	يقين Yakeen	The Kingdom	The Company	1436020411	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Compa-ny's Business or products
99.	يقين Yakeen	The Kingdom	The Company	1436020412	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Compa-ny's Business or products
100.	أشّر Asher	The Kingdom	The Company	1437009500	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	9	Serve the Compa-ny's Business or products
101.	أشّر Asher	The Kingdom	The Company	1437009501	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	35	Serve the Compa-ny's Business or products

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102.	أشر Asher	The Kingdom	The Company	1437009502	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	38	Serve the Company's Business or products
103.	أشر Asher	The Kingdom	The Company	1437009503	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	41	Serve the Company's Business or products
104.	أشر Asher	The Kingdom	The Company	1437009504	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	42	Serve the Company's Business or products
105.	أشر Asher	The Kingdom	The Company	1437009508	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	9	Serve the Company's Business or products
106.	أشر Asher	The Kingdom	The Company	1437009509	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	35	Serve the Company's Business or products
107.	أشر Asher	The Kingdom	The Company	1437009510	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	38	Serve the Company's Business or products
108.	أشر Asher	The Kingdom	The Company	1437009511	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	41	Serve the Company's Business or products
109.	أشر Asher	The Kingdom	The Company	1437009512	28/04/1437H (corresponding to 07/02/2016G)	06/05/1447H (corresponding to 28/10/2026G)	42	Serve the Company's Business or products
110.	إشارتك Esharatek	The Kingdom	The Company	1437013244	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	9	Serve the Company's Business or products
111.	إشارتك Esharatek	The Kingdom	The Company	1437013245	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	35	Serve the Company's Business or products
112.	إشارتك Esharatek	The Kingdom	The Company	1437013246	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	38	Serve the Company's Business or products
113.	إشارتك Esharatek	The Kingdom	The Company	1437014422	26/06/1437H (corresponding to 04/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	42	Serve the Company's Business or products
114.	إشارتك Esharatek	The Kingdom	The Company	1437014419	26/06/1437H (corresponding to 04/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	9	Serve the Company's Business or products
115.	إشارتك Esharatek	The Kingdom	The Company	1437014420	26/06/1437H (corresponding to 04/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	35	Serve the Company's Business or products
116.	إشارتك Esharatek	The Kingdom	The Company	1437014421	26/06/1437H (corresponding to 04/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	38	Serve the Company's Business or products
117.	إشارتك Esharatek	The Kingdom	The Company	1437013247	11/06/1437H (corresponding to 20/03/2016G)	09/10/1447H (corresponding to 28/03/2026G)	42	Serve the Company's Business or products
118.	حد Hadd	The Kingdom	The Company	1438005535	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	9	For the purpose of providing a service or project with a client

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119.	حد Hadd	The Kingdom	The Company	1438005536	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	12	For the purpose of providing a service or project with a client
120.	حد Hadd	The Kingdom	The Company	1438005537	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	35	For the purpose of providing a service or project with a client
121.	حد Hadd	The Kingdom	The Company	1438005538	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	39	For the purpose of providing a service or project with a client
122.	حد Hadd	The Kingdom	The Company	1438005539	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	42	For the purpose of providing a service or project with a client
123.	حد Hadd	The Kingdom	The Company	1438005540	06/03/1438H (corresponding to 05/12/2016G)	13/03/1448H (corresponding to 26/08/2026G)	45	For the purpose of providing a service or project with a client
124.	حلم Holom	The Kingdom	The Company	1436024766	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	35	Serve the Company's Business or products
125.	حلم Holom	The Kingdom	The Company	1436024767	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	38	Serve the Company's Business or products
126.	حلم Holom	The Kingdom	The Company	1436024768	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	41	Serve the Company's Business or products
127.	حلم Holom	The Kingdom	The Company	1436024769	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	42	Serve the Company's Business or products
128.	لبيه Labbaih	The Kingdom	The Company	1438004367	21/02/1438H (corresponding to 21/11/2016G)	26/02/1448H (corresponding to 09/08/2026G)	9	Serve the Company's Business or products
129.	لبيه Labbaih	The Kingdom	The Company	1438004368	21/02/1438H (corresponding to 21/11/2016G)	26/02/1448H (corresponding to 09/08/2026G)	35	Serve the Company's Business or products
130.	لبيه Labbaih	The Kingdom	The Company	1438004369	21/02/1438H (corresponding to 21/11/2016G)	26/02/1448H (corresponding to 09/08/2026G)	38	Serve the Company's Business or products
131.	لبيه Labbaih	The Kingdom	The Company	1438004370	21/02/1438H (corresponding to 21/11/2016G)	26/02/1448H (corresponding to 09/08/2026G)	45	Serve the Company's Business or products
132.	مكين Makeen	The Kingdom	The Company	1438000537	08/01/1438H (corresponding to 09/10/2016G)	11/01/1448H (corresponding to 26/06/2026G)	9	Serve the Company's Business or products
133.	مكين Makeen	The Kingdom	The Company	1438000538	08/01/1438H (corresponding to 09/10/2016G)	11/01/1448H (corresponding to 26/06/2026G)	16	Serve the Company's Business or products
134.	مكين Makeen	The Kingdom	The Company	1438000540	08/01/1438H (corresponding to 09/10/2016G)	11/01/1448H (corresponding to 26/06/2026G)	38	Serve the Company's Business or products

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135.	مكين Makeen	The Kingdom	The Company	1438000541	08/01/1438H (corresponding to 09/10/2016G)	11/01/1448H (corresponding to 26/06/2026G)	41	Serve the Company's Business or products
136.	مكين Makeen	The Kingdom	The Company	1438000542	08/01/1438H (corresponding to 09/10/2016G)	11/01/1448H (corresponding to 26/06/2026G)	42	Serve the Company's Business or products
137.	مرحبا Marhaba	The Kingdom	The Company	1437018022	05/08/1437H (corresponding to 12/05/2016G)	11/08/1447H (corresponding to 30/01/2026G)	35	Serve the Company's Business or products
138.	مرحبا Marhaba	The Kingdom	The Company	1437018025	05/08/1437H (corresponding to 12/05/2016G)	11/08/1447H (corresponding to 30/01/2026G)	42	Serve the Company's Business or products
139.	مرحبا Marhaba	The Kingdom	The Company	1437018024	05/08/1437H (corresponding to 12/05/2016G)	11/08/1447H (corresponding to 30/01/2026G)	45	Serve the Company's Business or products
140.	مقياس Meqyas	The Kingdom	The Company	1438010414	03/05/1438H (corresponding to 31/01/2017G)	02/05/1448H (corresponding to 13/10/2026G)	35	Serve the Company's Business or products
141.	نقل Naql	The Kingdom	The Company	1437007132	26/03/1437H (corresponding to 06/01/2016G)	03/04/1447H (corresponding to 25/09/2025G)	9	For the purpose of providing a service or project with a client
142.	نقل Naql	The Kingdom	The Company	1437007133	26/03/1437H (corresponding to 06/01/2016G)	03/04/1447H (corresponding to 25/09/2025G)	12	For the purpose of providing a service or project with a client
143.	نقل Naql	The Kingdom	The Company	1437007136	26/03/1437H (corresponding to 06/01/2016G)	03/04/1447H (corresponding to 25/09/2025G)	39	For the purpose of providing a service or project with a client
144.	نقل Naql	The Kingdom	The Company	1437007137	26/03/1437H (corresponding to 06/01/2016G)	03/04/1447H (corresponding to 25/09/2025G)	42	For the purpose of providing a service or project with a client
145.	وصل Wasl	The Kingdom	The Company	1437014905	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	9	For the purpose of providing a service or project with a client
146.	وصل Wasl	The Kingdom	The Company	1437014906	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	12	For the purpose of providing a service or project with a client
147.	وصل Wasl	The Kingdom	The Company	1437014907	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	35	For the purpose of providing a service or project with a client
148.	وصل Wasl	The Kingdom	The Company	1437014908	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	38	For the purpose of providing a service or project with a client
149.	وصل Wasl	The Kingdom	The Company	1437014909	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	39	For the purpose of providing a service or project with a client

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150.	وصل Wasl	The Kingdom	The Company	1437014910	29/06/1437H (corresponding to 07/04/2016G)	11/07/1447H (corresponding to 31/12/2025G)	42	For the purpose of providing a service or project with a client
151.	زاول Zawil	The Kingdom	The Company	1438020576	05/09/1438H (corresponding to 31/05/2017G)	10/09/1438H (corresponding to 17/02/2027G)	9	For the purpose of providing a service or project with a client
152.	زاول Zawil	The Kingdom	The Company	1438020577	05/09/1438H (corresponding to 31/05/2017G)	10/09/1438H (corresponding to 17/02/2027G)	12	For the purpose of providing a service or project with a client
153.	زاول Zawil	The Kingdom	The Company	1438020578	05/09/1438H (corresponding to 31/05/2017G)	10/09/1438H (corresponding to 17/02/2027G)	35	For the purpose of providing a service or project with a client
154.	زاول Zawil	The Kingdom	The Company	1438020579	05/09/1438H (corresponding to 31/05/2017G)	10/09/1438H (corresponding to 17/02/2027G)	39	For the purpose of providing a service or project with a client
155.	زاول Zawil	The Kingdom	The Company	1438020580	05/09/1438H (corresponding to 31/05/2017G)	10/09/1438H (corresponding to 17/02/2027G)	42	For the purpose of providing a service or project with a client
156.	أماكن Amaken	The Kingdom	The Company	1437027105	05/12/1437H (corresponding to 06/09/2016G)	06/12/1447H (corresponding to 23/05/2026G)	36	Serve the Compa-ny's Business or products
157.	أماكن Amaken	The Kingdom	The Company	1437027105	05/12/1437H (corresponding to 06/09/2016G)	06/12/1447H (corresponding to 23/05/2026G)	39	Serve the Compa-ny's Business or products
158.	أماكن Amaken	The Kingdom	The Company	1437027107	05/12/1437H (corresponding to 06/09/2016G)	06/12/1447H (corresponding to 23/05/2026G)	41	Serve the Compa-ny's Business or products
159.	أماكن Amaken	The Kingdom	The Company	1437027108	05/12/1437H (corresponding to 06/09/2016G)	06/12/1447H (corresponding to 23/05/2026G)	42	Serve the Compa-ny's Business or products
160.	أمن Amn	The Kingdom	The Company	1436020375	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	13	For the purpose of providing a service or project with a client
161.	أمن Amn	The Kingdom	The Company	1436020371	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	For the purpose of providing a service or project with a client
162.	أمن Amn	The Kingdom	The Company	1436020372	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	For the purpose of providing a service or project with a client
163.	أمن Amn	The Kingdom	The Company	1436020373	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	For the purpose of providing a service or project with a client

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164.	أمن Amn	The Kingdom	The Company	1436020374	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	For the purpose of providing a service or project with a client
165.	إثراء Ethra	The Kingdom	The Company	1440013152	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	38	Serve the Company's Business or products
166.	إثراء Ethra	The Kingdom	The Company	1440013153	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	42	Serve the Company's Business or products
167.	إشعار Ishaar	The Kingdom	The Company	1440013134	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	9	Serve the Company's Business or products
168.	إشعار Ishaar	The Kingdom	The Company	1440013137	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	35	Serve the Company's Business or products
169.	إشعار Ishaar	The Kingdom	The Company	1440013140	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	38	Serve the Company's Business or products
170.	إشعار Ishaar	The Kingdom	The Company	1440013141	05/06/1440H (corresponding to 10/02/2019G)	04/06/1450H (corresponding to 22/01/2028G)	42	Serve the Company's Business or products
171.	إفادة Efada	The Kingdom	The Company	1438004360	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	9	Serve the Company's Business or products
172.	إفادة Efada	The Kingdom	The Company	1438004361	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	35	Serve the Company's Business or products
173.	إفادة Efada	The Kingdom	The Company	1435009352	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	38	Serve the Company's Business or products
174.	إفادة Efada	The Kingdom	The Company	1438004362	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	39	Serve the Company's Business or products
175.	إفادة Efada	The Kingdom	The Company	1438004363	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	42	Serve the Company's Business or products
176.	إفادة Efada	The Kingdom	The Company	1438004364	01/06/1438H (corresponding to 28/02/2017G)	26/02/1448H (corresponding to 09/08/2026G)	44	Serve the Company's Business or products
177.	إيجاز Ejaz	The Kingdom	The Company	1436009862	14/05/1436H (corresponding to 05/03/2015G)	13/05/1446H (corresponding to 15/11/2024G)	35	Serve the Company's Business or products
178.	إيجاز Ejaz	The Kingdom	The Company	1436009860	14/05/1436H (corresponding to 05/03/2015G)	13/05/1446H (corresponding to 15/11/2024G)	38	Serve the Company's Business or products
179.	إيجاز Ejaz	The Kingdom	The Company	1436009861	14/05/1436H (corresponding to 05/03/2015G)	13/05/1446H (corresponding to 15/11/2024G)	39	Serve the Company's Business or products

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
180.	إيجاز Ejaz	The Kingdom	The Company	1436009863	14/05/1436H (corresponding to 05/03/2015G)	13/05/1446H (corresponding to 15/11/2024G)	42	Serve the Company's Business or products
181.	استحقاق Estihkak	The Kingdom	The Company	1436024770	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	35	Serve the Company's Business or products
182.	استحقاق Estihkak	The Kingdom	The Company	1436024771	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	38	Serve the Company's Business or products
183.	استحقاق Estihkak	The Kingdom	The Company	1436024772	29/11/1436H (corresponding to 13/09/2015G)	24/12/1446H (corresponding to 20/06/2025G)	42	Serve the Company's Business or products
184.	باشر Basher	The Kingdom	The Company	1436002794	10/02/1436H (corresponding to 02/12/2014G)	09/03/1446H (corresponding to 13/08/2024G)	35	For the purpose of providing a service or project with a client
185.	باشر Basher	The Kingdom	The Company	1436002795	10/02/1436H (corresponding to 02/12/2014G)	09/03/1446H (corresponding to 13/08/2024G)	38	For the purpose of providing a service or project with a client
186.	باشر Basher	The Kingdom	The Company	1436002796	10/02/1436H (corresponding to 02/12/2014G)	09/03/1446H (corresponding to 13/08/2024G)	39	For the purpose of providing a service or project with a client
187.	باشر Basher	The Kingdom	The Company	1436002797	10/02/1436H (corresponding to 02/12/2014G)	09/03/1446H (corresponding to 13/08/2024G)	42	For the purpose of providing a service or project with a client
188.	بيان Bayan	The Kingdom	The Company	1440007575	21/03/1440H (corresponding to 29/11/2018G)	20/03/1450H (corresponding to 11/08/2028G)	12	For the purpose of providing a service or project with a client
189.	بيان Bayan	The Kingdom	The Company	1440007578	21/03/1440H (corresponding to 29/11/2018G)	20/03/1450H (corresponding to 11/08/2028G)	39	For the purpose of providing a service or project with a client
190.	تحية Tahia	The Kingdom	The Company	28/945	15/02/1428H (corresponding to 05/03/2007G)	14/02/1438H (corresponding to 14/11/2016G)	38	Serve the Company's Business or products
191.	تصريح Tasreeh	The Kingdom	The Company	1436020379	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	Serve the Company's Business or products
192.	تصريح Tasreeh	The Kingdom	The Company	1436020380	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	Serve the Company's Business or products
193.	تصريح Tasreeh	The Kingdom	The Company	1436020381	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	Serve the Company's Business or products
194.	تصريح Tasreeh	The Kingdom	The Company	1436020382	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	42	Serve the Company's Business or products
195.	تم Tamm	The Kingdom	The Company	1436020420	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	35	For the purpose of providing a service or project with a client

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
196.	تم Tamm	The Kingdom	The Company	1436020421	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	38	For the purpose of providing a service or project with a client
197.	تم Tamm	The Kingdom	The Company	1436020422	14/10/1436H (corresponding to 30/07/2015G)	13/10/1446H (corresponding to 11/04/2025G)	39	For the purpose of providing a service or project with a client
198.	أساس Asas	The Kingdom	The Company	1441017308	12/06/1441H (corresponding to 06/02/2020G)	11/06/1451H (corresponding to 19/10/2029G)	9	Serve the Company's Business or products
199.	أساس Asas	The Kingdom	The Company	1441117311	12/06/1441H (corresponding to 06/02/2020G)	11/06/1451H (corresponding to 19/10/2029G)	35	Serve the Company's Business or products
200.	أساس Asas	The Kingdom	The Company	1441017311	12/06/1441H (corresponding to 06/02/2020G)	11/06/1451H (corresponding to 19/10/2029G)	42	Serve the Company's Business or products
201.	واحد Wahed	The Kingdom	The Company	1441014494	17/05/1441H (corresponding to 12/01/2020G)	16/05/1451H (corresponding to 25/09/2029G)	44	Serve the Company's Business or products
202.	واحد Wahed	The Kingdom	The Company	1441014492	17/05/1441H (corresponding to 12/01/2020G)	16/05/1451H (corresponding to 25/09/2029G)	9	v
203.	ZOUAR	The Kingdom	The Company	1441024635	14/09/1441H (corresponding to 07/05/2020G)	13/09/1451H (corresponding to 17/01/2030G)	35	Serve the Company's Business or products
204.	ZOUAR	The Kingdom	The Company	1441024636	14/09/1441H (corresponding to 07/05/2020G)	13/09/1451H (corresponding to 17/01/2030G)	39	Serve the Company's Business or products
205.	تراس Teras	The Kingdom	The Company	1441025228	26/09/1441H (corresponding to 19/05/2020G)	25/09/1451H (corresponding to 29/01/2030G)	36	Serve the Company's Business or products
206.	مستمر Mustamir	The Kingdom	The Company	1441027461	29/10/1441H (corresponding to 21/06/2020G)	28/10/1451H (corresponding to 03/03/2030G)	44	Serve the Company's Business or products
207.	تفتيش Tafteesh	The Kingdom	The Company	1442021610	25/07/1442H (corresponding to 09/03/2021G)	24/07/1452H (corresponding to 20/11/2030G)	42	Serve the Company's Business or products
208.	تفتيش Tafteesh	The Kingdom	The Company	1442023655	25/07/1442H (corresponding to 09/03/2021G)	24/07/1452H (corresponding to 20/11/2030G)	9	Serve the Company's Business or products
209.	إمداد Emdad Al Khebrat الخبرات	The Kingdom	Emdad Al Khebrat	1436000581	13/01/1436H (corresponding to 06/02/2014G)	12/01/1446H (corresponding to 18/07/2024G)	35	Serve the Company's Business or products
210.	إمداد Emdad Al Khebrat الخبرات	The Kingdom	Emdad Al Khebrat	1436001485	27/01/1439H (corresponding to 20/11/2014G)	26/01/1446H (corresponding to 01/08/2024G)	41	Serve the Company's Business or products

#	Trademark	Country of Registration	Owner	Regis-tration Number	Protection Start Date	Protection End Date	Class	Reason for Registration
211.	تبادل TABADUL	The Kingdom	Tabadul	1439019681	24/08/1439H (corresponding to 10/05/2018G)	23/08/1449H (corresponding to 20/01/2028G)	42	Serve the Company's Business or products
212.	فسح FASAH	The Kingdom	Tabadul	1439019689	24/08/1439H (corresponding to 10/05/2018G)	23/08/1449H (corresponding to 20/01/2028G)	42	Serve the Company's Business or products
213.	فسح FASAH-PAY	The Kingdom	Tabadul	1442016813	04/06/1442H (corresponding to 17/01/2021G)	03/06/1452H (corresponding to 01/10/2030G)	36	Serve the Company's Business or products
214.	وثاق WTHAQ	The Kingdom	Tabadul	1442016809	04/06/1442H (corresponding to 17/01/2021G)	03/06/1452H (corresponding to 01/10/2030G)	36	Serve the Company's Business or products

Source: The Company

12-9-2 Other Intangible Assets

a) Patents

The Company obtained a patent (834') on 11/1/1441H (corresponding to 10/09/2019G). The patent 834' bears the title "**Methods and Systems for Multi-Dynamic Data Retrieval and Data Disbursement**" and claims the priority of the patent application filed in the United States of America on 10/06/1437H (corresponding to 11/07/2016G). The validity of patent 834 will expire on 22/08/1459H (corresponding to 02/10/2037G). Each of the inventors of the patent 834' executed a document assigning their invention to the Company. Therefore, the Company holds the patent 834'.

The patent 834' aims to describe an improved and comprehensive social services platform which integrates several systems in a manner which facilitates data management, data retrieval, and information processing. The patent describes a way to achieve this goal by using aggregated data processing as well as a system of rules such as eligibility assessment rules, which are applied to a group of applicants for Social Security services, rather than to each individual applicant. The patent contains 18 numbers which describe the hardware and software algorithms used in patent 834' to achieve these goals. The patent describes methods for processing data requests, authenticating users, and using rule-based engines to process requests. The patent 834' has 19 claims. Claims 1, 11, and 19 are independent claims, with claim 1 directed to a device with an electrical circuit which accomplishes a series of steps described in the claim. Claim 11 is identical to Claim 1, but it is a claim about how the sequence of steps is accomplished using circuits. Claim 19 is a computer program to perform the steps mentioned in Claim 11. Claims 2-10 and 12-18 depend on different aspects of the system.

On 22/10/1440H (corresponding to 25/06/2019G), applicants of patent 834' submitted an ongoing patent application, which was published under the name of the patent application published in the United States (2019-0310992) on 11/02/1441H (corresponding to 10/10/2019G). This patent application has not been examined by the United States Patent and Trademark Office. A search of the database of the United States Patent and Trademark Office did not result in any patents or patent applications owned by the Company.

b) Open Source Licenses

Some of the Company's proprietary software is based on software components licensed by their authors or third parties under "**open source**" licenses. The Company uses eight (8) types of open source software, which are Tomcat, Redis, RabbitMQ, ActiveMQ, Hangfire, Vault, Kannel, and Camnuda.

12-10 Insurance

The Company and its subsidiaries maintain insurance policies which cover various types of risks associated with their business. The following table shows the main details of the insurance policies held by the Company and its subsidiaries:

Table (12-13): Insurance Policies Held by the Company and its Subsidiaries

#	Coverage Type	Insurance Company	Insured	Insurance Policy Number	Insurance Coverage End Date	Insured Value/Maximum Compensation
1.	Insurance for managers and employees	Chubb Arabia Cooperative Insurance Company	The Company	60CHB3 0028/21-01	06/08/1443H (corresponding to 09/03/2022G)	37,500,000
2.	Medical insurance	Tawuniya Insurance Company	The Company	19703958	30/11/1443H (corresponding to 29/06/2022G)	43,380,186.15
3.	Property insurance	Tawuniya Insurance Company	The Company	611250	19/07/1443H (corresponding to 20/02/2022G)	189,831,720.01
4.	Comprehensive vehicle insurance	Tawuniya Insurance Company	The Company	19488280	30/07/1443H (corresponding to 03/03/2022G)	SAR 250 per person for an emergency medical experience SAR 250 for car towing and protection. SAR 10,000,000 for third party liability for death and/or bodily injury and property damage
5.	Vehicle insurance	Arabian Shield Insurance Company	Tabadul	P/CR01/2020/CV/0000232	-	54,418.08
6.	General liability insurance	Arabian Shield Insurance Company	Tabadul	P/CR01/2021/PL/0000052	28/08/1443H (corresponding to 31/03/2022G)	1,000,000
7.	Property insurance	Arabian Shield Insurance Company	Tabadul	P/CR01/2021/PR/0000039	28/08/1443H (corresponding to 31/03/2022G)	24,783,942.24
8.	Group medical expenses insurance	Tawuniya Insurance Company	Tabadul	19301144	21/03/1443H (corresponding to 27/10/2021G)	4,702,866.36

Source: The Company

12-11 Lawsuits and Judicial Claims

The following table sets out a summary of the lawsuits and judicial claims filed by or against the Company and its material subsidiaries as at the date of this Prospectus.

12-11-1 Commercial Lawsuits and Claims

Table (12-14): The following table shows a summary of the commercial lawsuits and claims filed by or against the Company and its material subsidiaries as at the date of this Prospectus

#	Claimant	Defendant	Dispute Summary	Status	Claim Amount (SAR)
1.	Mnawar Abdullah Saud AlAtwi	The Company	Claim to prove an agreement relating to a training centre that the Company operated previously.	Pending	-
2.	Stable development for Marine Engineering and Maintenance	The Company	Plaintiff brought the claim in relation to works that were allegedly performed by it.	Probable, in the reconciliation stage at the moment and it is expected to be transferred to the Commercial Court.	23,000,000
3.	Omnix International Company (Omnix International Company)	Tabadul	A claim to pay financial dues to Omnix International Company	The lawsuit is still pending in court.	23,005,760.01
4.	Mohammed Abdul Aziz Al Aqeel Law Office	Tabadul	A financial claim for the amount owed to Mohammed Abdul Aziz Al Aqeel Law Office in return for representing Tabadul in relation to the claim brought by Omnimix International against Tabadul.	The lawsuit is still pending in court.	1,940,000
Total value of commercial claims made by or against the Company and its material subsidiaries					**47,945,760.01**

Source: The Company

12-11-2 Labour Lawsuits and Claims

Table (12-15): The following table shows a summary of the labour lawsuits and claims filed by or against the Company and its material subsidiaries as at the date of this Prospectus:

#	Claimant	Defendant	Dispute Summary	Status	Claim Amount (SAR)
1	Ahmad Mohammed Zaher	The Company	Termination of employment claim.	A judgement was issued against the Company that is working in its appeal.	372,930
2.	Faisal Al Khanji	Emdad Al Khebrat	A claim relating to the termination of employment.	The lawsuit is still pending in court.	-
3.	Hassan Al Qarni	Emdad Al Khebrat	A claim relating to the termination of employment.	The lawsuit is still pending court.	98,191
Total value of labour claims made by or against the Company and its material subsidiaries					**471,121**

Source: The Company

With the exception of the above, the Directors confirm that the Company and its subsidiaries are not party, up to the date of this Prospectus, to any judicial dispute, arbitration, administrative case, or investigation that, individually or collectively, would have a negative impact on their financial position and results of operations and declare that they are not aware of any threatened claims.

12-12 The Company's Zakat Status

The Company is subject to the regulations of the KSA Zakat, Tax, and Customs Authority. The Group was not subject to Zakat since its incorporation since it is wholly owned indirectly by the Kingdom's government. Accordingly, the Group did not include Zakat allocations in the consolidated financial statements for the financial year ended at 30 December 2021G and the previous years. However, the Group committed to submit its Zakat assessments for the previous years to Zakat, Tax, and Customs Authority for information purposes only. As of 1 January 2021G, the Company and its subsidiaries are subject to Zakat pursuant to Royal Decree No. (35657) dated 29/06/1442H (corresponding to 11/02/2021G) issued regarding the mechanism of collecting Zakat and taxes from companies that are wholly owned, directly or indirectly, by the Public Investment Fund. Therefore, the Group submitted its Zakat and tax returns on a consolidated basis for the year 2020G. The Company has obtained the final tax assessment for the year 2020G and a Zakat certificate valid until 29/09/1443H (corresponding to 30/04/2022G), but the Company has not obtained the final Zakat assessment for the year 2020G as at the date of the Prospectus.

12-13 Description of the Rights of Shareholders

12-13-1 Voting Rights

Each shareholder shall have a vote for every share in the General Assembly meetings. Cumulative voting shall be used in electing the Board of Directors. Shareholders may delegate a person other than a Director or an employee of the Company to attend General Assembly meetings on their behalf. The Company may allow shareholders to vote on matters contained in the agendas of General and Special Assembly meetings through electronic means, even if they are not present at the meetings, in accordance with the controls set by the competent authorities in this regard.

12-13-2 Rights to Dividends

Shareholders shall be entitled to their share of the profits in accordance with a resolution adopted in this regard by the General Assembly. Such resolution shall indicate the entitlement date and the distribution date. Shareholders registered in the shareholders' register at the end of the entitlement date shall be entitled to profits. The Board of Directors must implement the Ordinary General Assembly's decision concerning the distribution of dividends to shareholders in accordance with the regulatory rules issued in this regard.

12-13-3 Rights to Surplus Assets upon Liquidation or Dissolution

Pursuant to Article 163 of the Companies Law, shares shall have equal rights to net profits and liquidation surplus, unless the Company's Bylaws stipulate otherwise.

12-13-4 Refund or Repurchase Rights

1) The Company may purchase its ordinary or preferred shares with the approval of the Extraordinary General Assembly, and in accordance with the regulations set by the competent authority in this regard. The shares purchased by the Company shall not have votes in shareholder assembly meetings.

2) The Company may purchase its shares to be used as treasury shares in accordance with the purposes and controls determined by the competent authority. The Company may purchase its shares for the purpose of decreasing its capital, subject to the provisions contained in Articles 145 and 148 of the Companies Law. The Company may purchase its shares for the purpose of allocating them to its employees within the employee share program, provided that the Company fulfils, in addition to other controls related to its purchase of its shares, the conditions set by the competent authority for this purpose, and after obtaining the approval of the Extraordinary General Assembly on the employee share allocation program. Further, the Extraordinary General Assembly may authorize the Company's Board of Directors to determine the conditions of such program, including the allocation price for each share offered to the employees, if it is for a fee.

3) The Company may sell treasury shares in one stage or several stages in accordance with the regulations set by the competent authority.

4) Anyone who has the right to own or to hold the Company's shares on behalf of a third party may pledge them in accordance with the regulations set by the competent authority. The pledge creditor may receive the profits and use the rights related to the shares, unless otherwise agreed upon in the pledge contract. However, the pledgee may not attend, or vote at, General Assembly meetings. The Company may further pledge its shares as security for a debt, in accordance with the rules set by the competent authority, subject to the approval Ordinary General Assembly.

12-13-5 Approvals Necessary to Amend Voting Rights

The Company's Bylaws should be amended to change the rights and mechanism of voting in the Company's General Assembly meetings. The Extraordinary General Assembly shall be competent to amend the Bylaws pursuant to the provisions of Article 29 of the Bylaws. Meetings of the Extraordinary General Assembly shall not be deemed valid unless attended by shareholders representing at least half (50%) of the capital. If such quorum is not met at the first meeting, another meeting shall be called for within (30) thirty days following the previous meeting. However, the second meeting may be held one hour after the expiry of the time limit set for convening the first meeting, provided that the invitation for the first meeting states such. The second meeting shall be deemed duly convened if it is attended by shareholders representing at least one quarter (25%) of the capital. If the quorum for the second meeting is not met, a third meeting shall be called under the same conditions stipulated in Article 32 of the Bylaws. The third meeting shall be deemed duly convened regardless of the number of shares represented therein after obtaining the approval of the competent authority. Resolutions of the Extraordinary General Assembly regarding the amendment of the Bylaws shall be adopted by a two-thirds majority of the shares represented at the meeting.

13- Underwriting

The Company, the Selling Shareholder, and the Underwriter (Riyadh Capital) entered into an underwriting agreement on Wednesday 01/07/1443H (corresponding to 02/02/2022G) (the "**Underwriting Agreement**") under which the Underwriter agrees to underwrite all of the Offer Shares amounting to twenty-four million (24,000,000) shares, subject to certain terms and conditions contained in the Underwriting Agreement. Following is the name and address of the Underwriter:

13-1 Underwriter's Name and Address

Riyad Capital
2414 - Al Shuhada District, Unit No. 69
Riyadh 13241-7279
Kingdom of Saudi Arabia
Tel.: +966 11 920012299
Fax: +966 11 4865908
Website: www.riyadcapital.com
E-mail: ask@riyadcapital.com

13-2 Summary of the Underwriting Agreement

Subject to the terms and conditions of the Underwriting Agreement:

a) The Selling Shareholder undertakes to the Underwriter to perform the following on the first business day following the completion of the allocation of the Offer Shares after the end of the Offering Period:

   1) Sell and allocate the Offer Shares to Retail Investors or Participating Parties whose subscription applications have been accepted by the Receiving Entities.

   2) Sell and allocate the Offer Shares which were not purchased by Retail Investors or Participating Parties to the Underwriter.

b) The Underwriter undertakes to the Selling Shareholder to purchase any Offer Shares which have not been subscribed to by Retail Investors or Participating Parties, in accordance with the following terms:

Table (13-1): Shares Underwritten

Underwriter	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
Riyad Capital	24,000,000	100%

The Company and the Selling Shareholder undertake to abide by all provisions contained in the Underwriting Agreement.

13-3 Underwriting Costs

The Selling Shareholder shall pay the underwriting fee to the Underwriter in proportion to the Offer Shares sold, based on the total value of the Offering. In addition, the Selling Shareholder agrees to pay the expenses and costs of the Offering on behalf of the Company.

14- Offering Expenses

The Selling Shareholder shall bear all expenses and costs related to the Offering amounting to thirty-five million nine hundred and twelve thousand two hundred and sixty-eight (SAR 35,912,268). Such expenses shall include the fees of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisor, Auditors, and the Market Consultant, in addition to the fees of the Receiving Entities, and the marketing, printing, distribution, and other related expenses. The Offering expenses shall be deducted from the Offering proceeds. The Company shall not bear any expenses related to the Offering.

15- Company's POST-LISTING Undertakings

The Company, following Listing, undertakes to:

- Fill out Form 8 related to compliance with the Corporate Governance Regulations. In the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, it shall clarify the reasons for such.
- Initiate the necessary procedures to elect independent members of the Company's Board of Directors to complete the current session of the Board and to appoint independent members to the Board Committees in compliance with the requirements of the Corporate Governance Regulations, by following the steps below:

Table (15-1): Procedures for Electing and Appointing Independent Members to Board Committees

#	Event	Details	Time
1	Listing of the Company's shares	-	Listing date
2	Announcement of the start of nominations	The Company shall, pursuant to a resolution of the Board, announce the start of nominations on the websites of the Company and Saudi Tadawul, and by any other means determined by the Company.	Within thirty (30) days of the Listing date, provided that the nomination period lasts for one month from the date of the announcement
3	Receipt of nomination applications	The Company shall receive all nomination applications submitted by eligible persons.	During the nomination period
4	Examination of nomination applications and candidate CVs	The Nomination and Remuneration Committee shall study the submitted nomination applications in light of the provisions of the Companies Law, the CMA Regulations, and the Company's Internal Governance Regulations. It shall submit its recommendations to the Board for submission to the General Assembly.	During the nomination period till the date announcing the convening of the General Assembly
5	Calling the General Assembly	The Ordinary General Assembly shall be invited to vote on the election of three (3) new independent members to fill the vacant seats to complete the current session of the Board of Directors and to appoint an independent member to the Audit Committee.	Within a period not exceeding ten (10) business days from the end of the nomination period
6	Convening the General Assembly	The Ordinary General Assembly shall be held twenty-one (21) days after the date of the invitation in accordance with the procedures in force for holding General Assembly meetings of listed companies, including the procedures related to electronic voting.	Twenty-one (21) days from the date of calling the General Assembly
7	Holding a meeting of the Board of Directors to appoint an independent member to the Nomination and Remuneration Committee	The Board of Directors shall appoint an independent member to the Nomination and Remuneration Committee (who shall be its chairman) to fulfil the requirements of the Corporate Governance Regulations at its first meeting after the date of the General Assembly to elect independent members.	The first meeting of the Board of Directors after the election of the independent members

- Notifying the CMA of the date of the first General Assembly meeting after the listing is approved, so that a representative can attend.
- Presenting to the General Assembly the business and contracts in which any of the Directors have a direct or indirect interest for approval (in accordance with the Companies Law and the Corporate Governance Regulations), provided that the Director with interests therein is not allowed to participate in voting on the resolution issued in this regard by the Board and the General Assembly.
- Complying with all mandatory articles of the Corporate Governance Regulations immediately after Listing.
- Complying with the provisions of the Listing Rules in relation to the Company's continuing obligations immediately after Listing.
- Calling the General Assembly to meet to update the Company's Bylaws immediately after Listing.

Accordingly, after the Listing is approved, the Directors undertake to:

- Record all decisions and deliberations in the form of written minutes of meetings signed by the Board Chairman and Secretary.
- Disclose the details of any transactions carried out with Related Parties in accordance with the requirements of the Companies Law and the Corporate Governance Regulations.

16- Subscription Terms and Conditions

An application for the registration and offering of securities was submitted to the CMA as well as an application to list the shares on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules. All Subscribers must read the subscription terms and conditions very carefully before completing the subscription application form. Signature of the subscription application and its submission to any of the Receiving Entities or the Bookrunner shall be deemed an acknowledgement of the acceptance and approval of the subscription terms and conditions.

16-1 Subscription to the Offer Shares

The Offering consists of the offer of twenty-four million (24,000,000) ordinary shares at an Offer Price of one hundred and twenty-eight Saudi Riyals (SAR 128), with a fully paid nominal value of ten Saudi Riyals (SAR 10) each. The Offer Shares represent 30% of the Company's capital. The total value of Offering is Three billion seventy two million Saudi riyals (SAR 3,072,000,000). The Offering to Retail Investors and the subsequent Listing of the Company's shares is contingent upon the successful subscription of the Participating Parties to all Offer Shares. The Offering shall be cancelled if the Offering is not covered during this period. The CMA may suspend the Offering after this Prospectus is approved and before the shares are registered and accepted for Listing on the Exchange in the event of a material change which would negatively and fundamentally affect the Company's operations.

The Offering shall be limited to two tranches of investors, namely:

Tranche (A): Participating Parties: This tranche comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (please see Section 1 "**Definitions and Terms**" of this Prospectus). The number of Offer Shares initially allocated to Participating Parties is twenty-four million (24,000,000) shares, representing 100% of the total Offer Shares. In the event that Retail Investors (defined in Tranche (B) below) subscribe for all Offer Shares allocated to them, the Financial Advisor shall have the right to reduce the number of shares allocated to Participating Parties to a minimum of sixteen million, eight hundred thousand (16,800,000) Offer Shares, representing 70% of the total Offer Shares. The number and percentage of Offer Shares to be allocated to Participating Parties will be determined by the Financial Advisor in consultation with the Company, using the discretionary share allocation mechanism.

Tranche (B): Retail Investors: This tranche comprises Saudi natural persons including any divorced or widowed Saudi woman having minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children on the condition that she proves that she is divorced or widowed and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC natural investors, provided that they have a bank account with one of the Receiving Entities and are entitled to open an investment account. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of seven million, two hundred thousand (7,200,000) Offer Shares, representing 30% of the total Offer Shares, will be allocated to Retail Investors, provided that Participating Parties subscribe to all Offer Shares allocated to them. If Retail Investors do not fully subscribe for all the Offer Shares allocated to them, the Financial Advisor may reduce the number of shares allocated to Retail Investors in proportion to the number of shares for which they subscribed.

16-2 Offering Period

Four (4) days starting on Thursday, 02/07/1443H (corresponding to 03/02/2022G) and ending on Sunday, 05/07/1443H (corresponding to 06/02/2022G).

16-3 Subscription Method and Terms for Each Subscriber Class

16-3-1 Book-Building for Participating Parties

a. The price range shall be determined during the book-building process and made available to all Participating Parties by the Company's Financial Advisor, in consultation with the Company using the discretionary share allocation mechanism.

b. Each of the Participating Parties must a submit request to participate in the book-building process by filling out a Bid Form during the book-building process for Participating Parties. Participating Parties may change or cancel their requests at any time during the book-building period, provided such change is made by submitting an amended Bid Form or an appended Bid Form (where applicable) before the end of the book-building period. The number of Offer Shares to which each of the Participating Parties subscribes must not be less than one hundred thousand (100,000) shares and not more than three million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine (3,999,999) shares. For public funds only, the number of Offer Shares shall not exceed the maximum limit for each participating public fund, which shall be defined in accordance with the Book-Building Instructions. The number of shares requested must be allocable. The Financial Advisor shall notify Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. The subscription process for Participating Parties shall start during the Offering Period, which shall also include Retail Investors, in accordance with the subscription terms and instructions detailed in the Subscription Application Forms.

c. After completing the book-building process for Participating Parties, the Financial Advisor shall announce the subscription percentage for Participating Parties.

d. The Financial Advisor and the Company shall have the power to determine the Offer Price based on supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement and the Offer Price is consistent with the tick size applied by the Exchange.

16-3-2 Subscription by Retail Investors

Each Retail Investor shall subscribe to a minimum of ten (10) Offer Shares and no more than two hundred and fifty thousand (250,000) Offer Shares. The Subscription Application may not be changed or withdrawn after it has been submitted.

Subscription Application Forms shall be available during the Offering Period on the websites of the Receiving Entities and at some Receiving Entities' branches which provide this service. Subscription Application Forms must be completed in accordance with the instructions below. Retail Investors may subscribe via the internet, phone banking, or ATM of Receiving Entities which provide all or some of these services to their clients, provided that:

a. The Retail Investor has an account with one of the Receiving Entities which provide such services.

b. There has been no change to the Retail Investor's information since its subscription to a recent offering.

Signed Subscription Applications submitted by Retail Investors to Receiving Entities shall constitute a binding agreement between the Selling Shareholder and the Retail Investor.

Retail Investors can obtain a copy of this Prospectus from the Company's website (www.elm.sa), the CMA (www.cma.org.sa), or the Financial Advisor (www.riyadcapital.com). They can also obtain Subscription Application Forms from the following Receiving Entity branches or from Receiving Entity websites which provide such service:

Riyad Bank Al Shuhada District P.O. Box 22622, Riyadh 11416 Kingdom of Saudi Arabia Tel.: +966 (11) 4013030 Fax: +966 (11) 4865909 Website: www.riyadbank.com E-mail: customercare@riyadbank.com	
Saudi National Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel.: +966126493333 Fax: +966126437426 Website: www.alahli.com E-mail: contactus@alahli.com	
Al Rajhi Bank Olaya Street P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966116098888 Fax: +966116098888 Website: www.alrajhibank.com E-mail: contactcenter1@alrajhibank.com	
Arab National Bank King Faisal Street P.O. Box 56921, Riyadh 11564 Kingdom of Saudi Arabia Tel.: +966114029000 Fax: +966114027747 Website: www.anb.com.sa E-mail: info@anb.com.sa	

The Receiving Entities which provide such service shall start receiving Subscription Applications at some of their branches in the Kingdom or through the internet, phone banking, or ATM of the Receiving Entities which provide all or some of these services as of Thursday, 02/07/1443H (corresponding to 03/02/2022G) till Sunday, 05/07/1443H (corresponding to 06/02/2022G). Upon signing and delivering the Subscription Application, the Receiving Entity shall stamp and present a copy of the completed Subscription Application to the Retail Investor. In the event that the information provided in the Subscription Application is incomplete or incorrect, or if it is not stamped by the Receiving Entity, the Subscription Application shall be deemed void, and the Retail Investor may not claim any compensation for any damage as a result of such cancellation.

Retail Investors should specify in the Subscription Application Form the number of shares they wish to subscribe to, and the total subscription amount is the number of Offer Shares subscribed to multiplied by the Offer Price of one hundred and twenty-eight Saudi Riyals (SAR 128) per share.

Subscription to less than ten (10) shares or fractions of shares shall not be accepted from Retail Investors. Any subscription to the shares above that amount must be in multiples of such number, with a maximum subscription of two hundred and fifty thousand (250,000) Offer Shares.

The Subscription Application shall be submitted during the Offering Period accompanied by the following documents, as applicable (the Receiving Entities shall match the copies with the originals, and then return the originals to the Retail Investor):

a. Original and copy of the national ID and resident ID (for Retail Investors, including GCC citizens and foreign residents).

b. Original and copy of the family record (when the subscription is on behalf of family members).

c. Original and copy of the legal power of attorney (when the subscription is on behalf of a third party).

d. Original and copy of the certificate of guardianship (when the subscription is on behalf of orphans).

e. Original and copy of the divorce deed (when the subscription is on behalf of the children of a divorced Saudi woman).

f. Original and copy of the death certificate (when the subscription is on behalf of the children of a widowed Saudi woman).

g. Original and copy of the birth certificate (when the subscription is on behalf of the children of a divorced or widowed Saudi woman).

In the event that a Subscription Application Form is submitted on behalf of a Retail Investor (applicable to parents and children only), the proxy shall write their name and attach the original and a copy of a valid power of attorney. The power of attorney must be issued by the Notary Public for Retail Investors residing inside the Kingdom. As for Retail Investors residing outside the Kingdom, the power of attorney must be certified by the Saudi embassy or consulate in the concerned country. The responsible employee at the Receiving Entity shall match the copies with the original and return the original to the Subscriber.

It is sufficient to fill out one Subscription Application for each main Retail Investor subscribing for himself and on behalf of his family members registered on the family card if the family members are to subscribe to the same number of shares as the main Subscriber. This entails the following:

a. All shares allocated to the main Retail Investor and dependant investors shall be registered under the name of the main Retail Investor.

b. Amounts in excess of the unallocated shares, which the main Retail Investor paid himself or on behalf of dependant Subscribers, shall be returned to the main Retail Investor.

c. The main Retail Investor shall receive the full dividends distributed based on the shares allocated to the main Retail Investor and dependant investors (if the shares are not sold or transferred).

A separate Subscription Application shall be used if:

a. If the Subscriber wishes to register the Offer Shares in a name other than the name of the main Retail Investor.

b. If the amount of shares that the main Retail Investor wishes to subscribe for is different than the dependant Retail Investors.

c. If the wife wishes to subscribe in her name and register the Offer Shares in her account (she must fill out a separate Subscription Application Form from the Subscription Application Form completed by the main Retail Investor), and in this case, any Subscription Application form submitted by her husband on her behalf shall be cancelled. The Receiving Entity shall process the separate Subscription Application submitted by the wife.

A divorced or widowed Saudi woman with minor children from a non-Saudi husband has the right to subscribe in their names for her benefit, provided that she provide proof of motherhood. The subscription of a person in the name of his divorcee shall be deemed void and the applicant will be subject to the penalties provided under the Law. If a main Subscriber subscribes for himself and his family members who are registered in the family registry, and then a member of that family subscribes under a separate Subscription Application, only the application of the family member who submitted a separate application from the main investor's application will be cancelled.

During the Offering Period, only valid residence permits will be accepted to identify non-Saudi dependants, and passports or birth certificates will not be accepted. Non-Saudi dependants may be included as dependants only with their mothers, and they cannot subscribe as main Subscribers. The maximum age for non-Saudi dependants to be included with their mother is eighteen (18) years old, and any documents issued by any foreign government must be attested by the Kingdom's embassy or consulate in the relevant state.

Each Retail Investor agrees to subscribe to the shares specified in the Subscription Application Form submitted thereby by purchasing them in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of one hundred and twenty-eight Saudi Riyals (SAR 128) per share. Each Retail Investor shall be deemed to have acquired the number of the Offer Shares allocated thereto upon the fulfilment of the following conditions:

a. submission of the Subscription Application Form to any of the Receiving Entities by the Retail Investor.

b. payment of the full value of the requested shares by the Retail Investor to the Receiving Entity.

The total value of the Offer Shares shall be paid in full to the Receiving Entities by debiting the account of the Retail Investor at the Receiving Entity to which the subscription application is submitted.

If any Subscription Application Form does not comply with the terms and conditions of the Offering, the Company is entitled to reject the application in whole or in part, and the Retail Investor acknowledges their approval of any number of shares allocated thereto, unless such number exceeds the number of shares for which they applied.

16-4 Allocation and Return of Surplus

The Lead Manager will open and manage a trust account for the purpose of depositing and keeping the subscription amounts collected from Participating Parties and Receiving Entities (on behalf of Retail Investors). These subscription amounts will be transferred to the Selling Shareholder only when the Listing becomes effective, after the deduction of certain fees and expenses. Details of this trust account will be indicated in the Subscription Forms. In addition, each Receiving Entity shall deposit the amounts it collects from Retail Investors in said trust account.

The Lead Manager or the Receiving Entities (as the case may be) will notify Subscribers of the final number of Offer Shares allocated to each of them, along with the amounts to be returned. The subscription surplus (if any) will be returned to Subscribers without any commissions or deductions and will be deposited in the Subscriber's account specified in the Subscription Application Form. The final allocation process will be announced and surplus amounts will be returned no later than Thursday, 09/07/1443H (corresponding to 10/02/2022G). Subscribers should contact the Lead Manager or the branch of the Receiving Entity to which they submitted the Subscription Application Form (as the case may be) if they wish to obtain additional details.

16-4-1 Allocation of Offer Shares to Participating Parties

The initial allocation of Offer Shares shall be set as the Financial Advisor deems appropriate, in coordination with the Company, using the voluntary allocation mechanism. This shall take place after the allocation of Offer Shares to Retail Investors, provided that the number of Offer Shares initially allocated to Participating Parties is no less than twenty-four million (24,000,000) shares, representing 100% of the Offer Shares. It is possible that some of the Offer Shares will not be allocated to some of the Participating Parties as determined by the Company and the Financial Advisor, provided that the final allocation to Participating Parties is not less than sixteen million, eight hundred thousand (16,800,000) shares, representing 70% of the Offer Shares. The transfer of ownership of the Offer Shares will be deemed to have taken place only after the Participating Parties pay the value of the shares and as of the date of registration in the shareholder register and the start of trading of the shares in accordance with the regulations and instructions regulating the trading of Saudi shares in force in this regard. If the Company's shares are not traded or the Listing is cancelled prior to the start of trading for any reason, then the subscription amounts paid by Participating Parties shall be returned and ownership of the shares will revert to the Selling Shareholder.

16-4-2 Allocation of Offer Shares to Retail Subscribers

A maximum of seven million and two hundred thousand (7,200,000) Offer Shares, equivalent to 30% of the total Offer Shares, will be allocated to Retail Investors. It should be noted that the minimum allocation for each Retail Investor is ten (10) shares and the maximum for each Retail Investor is two hundred and fifty thousand (250,000) shares. The remainder of the Offer Shares, if any, will be allocated on a proportional basis in accordance with the shares requested by each subscriber to the total shares to be subscribed. If the number of Retail Investors exceeds seven hundred and twenty thousand (720,000), the Company will not guarantee the minimum allocation and the allocation will be made as proposed by the Company and the Financial Advisor. The subscription surplus (if any) will be returned to Retail Investors without any commissions or deductions by the Receiving Entities.

16-5 Cases in which the Listing may be Suspended or Cancelled

16-5-1 Authority to suspend or cancel listing

a) The CMA may suspend trading of shares or cancel their listing at any time, and as it deems appropriate, in any of the following cases:

   1) If it deems it is necessary to protect investors or maintain an orderly market.

   2) If the Company fails to comply with the Capital Market Law, its executive regulations, or Exchange Rules in a manner the CMA deems material.

   3) If the Company fails to pay any fees due to the CMA or the Exchange or any fines payable to the CMA on their due dates.

   4) If it deems that the Company, its business, the level of its operations, or assets are no longer suitable for the continued listing of shares on the Exchange.

5) When announcing a reverse takeover that does not include sufficient information regarding the proposed transaction. If the Company announces sufficient information regarding the target entity and the CMA is convinced after the Company's announcement that sufficient information will be available to the public about the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.

6) When information about a proposed reverse takeover is leaked, and the Company cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

7) When an application for initiating the financial restructuring of the Company is registered with the court under the Bankruptcy Law in the event that its accumulated losses amount to 50% or more of its capital.

8) When an application for initiating liquidation procedures or administrative liquidation procedures for the Company is registered with the court under the Bankruptcy Law.

9) Upon the issuance of a final court judgement ending the financial restructuring procedures and initiating liquidation procedures or administrative liquidation procedures of the Company under the Bankruptcy Law.

10) When a final court judgement is issued initiating liquidation procedures or administrative liquidation procedures of the Company under the Bankruptcy Law.

b) Lifting of a trading suspension imposed under paragraph (a) above is subject to the following considerations:

1) Sufficiently addressing the situations that led to the suspension and the lack of the need to continue the suspension in order to protect investors.

2) When lifting the suspension is not likely to affect the normal activity of the Exchange.

3) The Company's commitment to any other conditions deemed appropriate by the CMA.

4) Upon the issuance of a final court judgement initiating the financial restructuring of the Company under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, if the suspension was enforced in accordance with sub-paragraph (7) of paragraph (a) above.

5) Upon the issuance of a final court judgement dismissing the initiation of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, if the suspension was enforced in accordance with sub-paragraph (8) of paragraph (a) above.

c) The Exchange shall suspend trading of the Company's securities in any of the following cases:

1) When the Company does not comply with the deadlines for disclosing its periodic financial information in accordance with the relevant implementing regulations.

2) When the auditor's report on the Company's financial statements includes an adverse opinion or a disclaimer of opinion until the adverse opinion or disclaimer of opinion is removed.

3) If the liquidity requirements specified in the second chapter of the Listing Rules are not met after the end of the period set by the Exchange for the Company to correct its position, unless the CMA agrees otherwise.

4) When a resolution is issued by the Company's Extraordinary General Assembly to reduce its capital, for the two trading days following the issuance of the resolution.

d) The Exchange shall lift the suspension referred to in sections (1) and (2) of paragraph (C) above after one trading session following the elimination of the reason for the suspension. In case the issuer's shares are available for trade outside the platform, the Exchange shall lift the suspension within a period not exceeding five (5) trading sessions following the elimination of the reason for suspension.

e) The Exchange may, at any time, suggest to the CMA to suspend trading or cancel the listing of shares if any of the cases mentioned in paragraph (a) above is likely to occur.

f) An issuer whose trading of securities has been suspended shall continue to abide by the Capital Market Law, its implementing regulations, and the Exchange rules.

g) If the suspension of securities trading continues for a period of six (6) months and the issuer does not take appropriate measures to correct that suspension, the CMA may cancel the listing of the issuer's securities.

h) When the issuer completes a reverse acquisition, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it must submit a new application to list its shares in accordance with the Listing Rules and fulfil the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

i) This paragraph does not prejudice the suspension of trading or the cancellation of listing resulting from the Company's losses based on the relevant implementing regulations and Exchange rules.

16-5-2 Voluntary cancellation of Listing

a) After listing its securities on the Exchange, the Company may not cancel the Listing without obtaining the prior approval of the CMA. In order to obtain the CMA's approval, the Company must submit a cancellation request to the CMA, and simultaneously notify the Exchange of the same. The request shall include the following information:

1) specific reasons for the cancellation request;

2) a copy of the disclosure referred to in paragraph (d) below;

3) a copy of the relevant documents and a copy of each document sent to the shareholders, if the cancellation of the Listing is the result of an acquisition or any other action taken by the Company;

4) names and contact details of the Financial Advisor and Legal Advisor appointed pursuant to the Rules on the Offer of Securities and Continuing Obligations.

b) The CMA may, at its sole discretion, accept or reject the cancellation request.

c) The Company must obtain the approval of the Extraordinary General Assembly to cancel the Listing after obtaining the approval of the CMA.

d) When the Listing is cancelled at the Company's request, the Company must disclose it to the public as soon as possible. The disclosure must include, at minimum, the reason for the cancellation, the nature of the event that led to it, and the extent of its impact on the Company's activities.

16-5-3 Temporary suspension of trading

a) The Company may request that the Exchange temporarily suspend trading of its securities when an event occurs during the trading period that must be disclosed without delay under the Capital Market Law, its implementing regulations, or Exchange rules and the Company cannot ensure the confidentiality of such information until the end of the trading period. The Exchange shall suspend trading of the Company's securities upon receipt of the request.

b) When trading is suspended temporarily at the Company's request, the Company must disclose to the public, as soon as possible, the reason for the suspension, its expected period, the nature of the event that led to it, and the extent of its impact on the Company's activities.

c) The CMA may suspend trading temporarily without a request from the Company when it has information or there are circumstances that may affect the Company's activities and it deems that such circumstances may affect the activity of the Exchange or prejudice the protection of investors. The Company, when its securities are subject to a temporary suspension of trading, shall continue to abide by the Capital Market Law, its implementing regulations, and Exchange rules.

d) The temporary suspension of trading shall be lifted upon the end of the period specified in the disclosure referred to in paragraph (b) above, unless the CMA or the Exchange indicates otherwise.

e) The Exchange may suggest that the CMA exercise its powers in accordance with paragraph (c) above if it finds that there is information or circumstances that may affect the activities of the issuer and that could affect the activity of the market or the protection of investors.

If the suspension of securities trading continues for a period of six (6) months and the Company does not take appropriate measures to correct that suspension, the CMA may cancel the listing of the Company's securities.

16-6 Approvals and Resolutions for the Offering

The resolutions and approvals for the Offering are as follows:

a. Resolution of the Company's Board of Directors to offer the shares for public subscription dated 27/10/1442H (corresponding to 08/06/2021G).

b. Approval of the Extraordinary General Assembly for the Offering issued on 13/11/1442H (corresponding to 23/06/2021G).

c. The CMA's approval of the Offering issued on 18/05/1443H (corresponding to 22/12/2022G).

d. The Exchange's conditional approval of Listing dated 15/05/1443H (corresponding to 19/12/2022G).

16-7 Lock-up Period

The Substantial Shareholders mentioned on Page (ix) of this Prospectus are prohibited from disposing of their shares for a period of six (6) months from the start of trading of the Company's shares on the Exchange. The Substantial Shareholders may dispose of their shares after the end of this period without obtaining the CMA's prior approval.

16-8 Subscription Undertakings

By filling out and submitting the subscription application form, subscribers:

a. agree to subscribe to the number of shares mentioned in the Subscription Application submitted thereby.

b. declare that they have read this Prospectus and all of its contents, and have carefully examined and understood its content.

c. agree to the Company's Bylaws, all instructions and provisions related to the Offering, and the conditions contained in this Prospectus and the Subscription Application Form, and subscribe to the Shares accordingly.

d. declare that neither they nor any of their family members included in the Subscription Application have previously submitted an application to subscribe to the Company's shares and that the Company has the right to reject any or all of the applications in the event of duplicate applications.

e. accept the number of the Offer Shares allocated thereto (within the amount to which they subscribed as a maximum) in accordance with the Subscription Application.

f. undertake not to cancel or amend the application after submitting it to the Lead Manager or Receiving Entity (for more information about the allocation process and return of surplus amounts, please refer to Section 16-4 "**Allocation and Return of Surplus**" of this Prospectus).

16-9 Share Register and Trading Arrangements

The Depository Center maintains a register of Shareholders containing their names, nationalities, addresses, professions, the shares they own, and the amounts paid of these shares.

16-10 Saudi Stock Exchange (Tadawul)

Electronic trading of shares in the Kingdom began in 1990G, and the Tadawul System was established in 2001G as an alternative to the Securities Information System. Shares are traded via the Tadawul System through an integrated mechanism that covers the entire trading process, starting with the execution of the transaction and ending with its settlement. Trading takes place every business day in one period from 10:00 am till 3:00 pm from Sunday till Thursday of each week, during which orders are executed. Outside these times, orders may be entered, modified, and cancelled from 9:30 am till 10:00 am. Trading times may change during Ramadan as announced by Tadawul. Transactions take place through an automated order matching process. Each valid order is executed according to the price level. In general, market orders (orders placed at the best price) are executed first and then price-limited orders (orders placed at a specific price), bearing in mind that if several orders are entered at the same price, they are executed according to the time of the entry. The Tadawul System distributes a comprehensive range of information through various channels, most notably the Tadawul website and the electronic linkage to Tadawul information, which provides real-time capital market data to information provision agencies, such as Reuters. Transactions are settled based on the period (T+2), which means that transfer of share ownership takes place two working days after the execution of the transaction.

Listed companies are obliged to disclose all important resolutions and information to investors through Tadawul and Tadawul is responsible for monitoring the Exchange in its capacity as the operator of the mechanism through which the Exchange operates, in order to ensure fair trading and smooth share trading operations.

16-11 Securities Depository Center (Edaa)

The Securities Depository Center Company (Edaa) was established in 2016G as a closed joint-stock company wholly owned by the Saudi Stock Exchange (Tadawul), with a capital of four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share, based on the CMA Board's approval of the Saudi Stock Exchange (Tadawul) Board of Directors' request to convert the Securities Depository Center into an independent joint-stock company in accordance with the Capital Market Law. The activities of the Securities Depository Center include works related to depositing, registering ownership, transferring, settling, and clearing of securities, as well as registering any ownership restrictions on the deposited securities. The Securities Depository Center also deposits and manages the registers of securities issuers and organizes general assemblies of issuers, including the service of remote voting for those assemblies and the submission of reports, notices, and information, in addition to providing any other service related to its activities that the Securities Depository Center deems should be provided in accordance with the Capital Market Law and its implementing regulations.

16-12 Trading of the Company's Shares

It is expected that trading of the Company's shares will start after the final allocation of those shares and Tadawul's announcement of the start date of trading of the Company's shares. Citizens and residents of the Kingdom who hold legal residency, citizens of GCC states, and Saudi and Gulf companies, banks, and investment funds will be allowed to trade the shares after they are traded on the Exchange. Qualified Foreign Investors will be able to trade the Company's shares in accordance with the Rules for Qualified Foreign Financial Institutions Investments in Listed Securities. Non-Saudi Retail Investors residing outside the Kingdom and institutions registered outside the Kingdom are also entitled to invest indirectly to obtain economic benefits from the shares by entering into swap agreements with persons authorized by the CMA to purchase and trade shares listed on the Exchange for the benefit of non-GCC foreign investors. It should be noted that under swap agreements, the authorized persons are the legal owners of the shares.

The Offer Shares may only be traded after the allocation of shares in subscribers' accounts in Tadawul is approved, the Company is registered, and its shares listed on the Exchange. Trading in the Company's shares is strictly prohibited before official trading. Subscribers who undertake such activities shall bear full responsibility for them, and neither the Company nor the Selling Shareholders will bear any legal responsibility in this regard.

16-13 Miscellaneous Provisions

The Subscription Application and all related terms, conditions, and undertakings shall be binding and serve the interests of the subscription parties and their successors, assignees, executors, estate managers, and heirs. The subscription application or any rights, interests, or obligations arising therefrom may not be waived or delegated by the subscription parties without obtaining the prior written consent of the other party.

These instructions, items, and any receipt of Subscription Application Forms or contracts resulting therefrom shall be governed by the laws of the Kingdom and shall be interpreted and implemented accordingly.

This Prospectus was issued in Arabic and English, and only the Arabic version is approved by the CMA. In the event of any discrepancy between the Arabic and English texts, the Arabic text will be relied upon and applied.

It is expressly prohibited to distribute this Prospectus or sell the Offer Shares to any person in any state other than the Kingdom, with the exception of foreign financial institutions, provided that the regulations and instructions regulating such distribution are observed. All recipients of this Prospectus are required to review and comply with all statutory restrictions related to the Offering and the sale of the Offer Shares.

17- Documents Available for Inspection

The following documents will be available for inspection at the company's headquarters in Al-Thaghr Street, Al-Nakhil District, Al-Raidah Digital City, from 9:00 am till 3:00 pm, starting from Sunday, 06/06/1443H (corresponding to 09/01/2022G) till Monday on 06/07/1443H (corresponding to 07/02/2022G), provided that this period is not less than twenty (20) days before the end of the Offering Period:

a. Announcement of the CMA's approval of the Offering.

b. Approval of the Company's Extraordinary General Assembly for the Offering issued on 13/11/1442H (corresponding to 23/06/2021G).

c. Approval of the Company's Board of Directors for offering the Shares for public subscription dated 27/10/1442H (corresponding to 08/06/2021G).

d. The Company's Bylaws and amendments thereto.

e. Royal Decree No M/90 dated 03/11/1428H (corresponding to 13/11/2007G).

f. The Company's Commercial Registration Certificate issued by the Ministry of Commerce.

g. The Company's audited financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G and the revised interim statements for the six-month period ended 30 June 2021G.

h. The special-purpose consolidated financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G and the clarifications attached thereto in accordance with the International Financial Reporting Standards approved in the Kingdom and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants, audited by Deloitte & Touche & Partners (Chartered Accountants and Auditors).

i. The evaluation report prepared by the Financial Advisor.

j. The market report prepared by the Market Consultant.

k. All reports, letters, and other documents, estimates of value, and statements prepared by any expert and any part thereof included or referred to in this Prospectus.

l. The contracts and agreements disclosed in Section 12-6 "**Essential Agreements**" and Section 12-7 " **Related Parties Transactions**" of this Prospectus.

m. Approval letters from:

   1) The Financial Advisor, Lead Manager, Bookrunner, and Underwriter (Riyad Capital) for the inclusion of its name, logo, and statements in this Prospectus.

   2) The Legal Advisor (Law Office of Salman M. Al - Sudairi) for the inclusion if its name, logo, and statements in this Prospectus.

   3) The Due Diligence Advisor (PricewaterhouseCoopers) for the inclusion of its name, logo, and statements, if any, in this Prospectus.

   4) The 2018G Auditor, KPMG Professional Consulting (formerly KPMG Al Fozan & Partners) for the inclusion of its name, logo, and statements as well as the audit reports for the same period in this Prospectus.

   5) The Chartered Accountant for 2019G and 2020G and the first half of 2021G (Deloitte & Touche & Partners (Chartered Accountants and Auditors)) for the inclusion of its name, logo, and statements as well as the audit reports for the same period in this Prospectus.

   6) The Auditor for the Nine-Month Period Ended 30 September 2021G (BDO Dr. Mohammed Al-Amri and Partners) for the inclusion of its name, logo, and statements as well as the audit reports for the same period in this Prospectus.

   7) The Market Consultant (Arthur D Little Saudi Arabia) for the inclusion of its name, logo, and statements in this Prospectus.

n. The Underwriting Agreement.

o. A document showing the mechanism for determining the price range used in the book-building process.

18- Financial Statements and Auditors Report

This section contains the audited financial statements for the financial year ended 31 December 2018G and the clarifications attached thereto in accordance with the International Financial Reporting Standards approved in the Kingdom and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants, audited by KPMG Al Fozan & Partners; the audited financial statements for the financial years ended 31 December 2019G and 2020G and the reviewed interim statements for the six-month period ended 30 June 2021G and the clarifications attached thereto in accordance with the International Financial Reporting Standards approved in the Kingdom and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants, audited by Deloitte & Touche & Partners (Chartered Accountants and Auditors); and the consolidated special-purpose financial statements for the financial years ended 31 December 2018G, 2019G, and 2020G and the clarifications attached thereto in accordance with the International Financial Reporting Standards approved in the Kingdom and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants, audited by Deloitte & Touche & Partners (Chartered Accountants and Auditors), and the reviewed interim statements for the nine-month period ended 30 September 2021G and the clarifications attached thereto in accordance with the International Financial Reporting Standards approved in the Kingdom and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants prepared BDO (Mohammed Al-Amri Company).

Al-ELM INFORMATION SECURITY COMPANY

AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Al-Elm Information Security Company

Opinion

We have audited the consolidated financial statements of Al-Elm Information Security and its subsidiary ("the Group") Saudi Joint Stock company, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

KPMG

Independent Auditor's Report

To the Shareholders 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 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 scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Al-Elm Information Security and its subsidiary ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي ام جي الفوزان وشركاه محاسبون ومراجعون قانونيون
C.R. 46 KPMG س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

Fahad Mubarak Al Dossari
License No.: 469

Riyadh 26 Rajab 1440H
Corresponding to: 2 April 2019

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Saudi Riyals)

	Note	31 December 2018	31 December 2017
Revenue	25	1,925,710,207	1,981,537,559
Cost of revenue	20	(1,206,406,160)	(1,285,340,803)
Gross profit		719,304,047	696,196,756
Expenses			
Selling and marketing	21	(70,185,043)	(147,784,395)
General and administrative	22	(217,022,653)	(194,092,823)
Impairment losses on accounts receivable		(4,901,237)	-
Amortization and depreciation	5, 7, 8	(67,828,297)	(67,999,307)
Operating profit		359,366,817	286,320,231
Finance costs		(4,555,548)	(6,865,730)
Return on short-term deposits	13, 14	3,255,313	485,180
Reversal of zakat provision	26	-	84,111,397
Other income	23	6,267,371	4,559,345
Net income		364,333,953	368,610,423
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss			
Re-measurement for end-of-service benefits	16	(5,919,247)	(2,160,754)
		358,414,706	366,449,669
Earnings per share:			
Basic and diluted earnings per share from operations profit for the year	28	71.87	57.26
Basic and diluted earnings per share from net income for the year	28	72.87	73.72

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements

Elm

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Saudi Riyals)

	Note	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Non-current assets				
Property, plant and equipment	5	76,543,019	100,869,159	132,582,338
Capital work in progress	6	7,019,971	46,590,601	35,843,182
Capital leased assets	7	299,294,976	254,069,571	254,069,571
Intangible assets	8	33,743,513	60,549,482	87,355,449
Investments at fair value through other comprehensive income	9	4,694,375	-	-
Total non-current assets		421,295,854	462,078,813	509,850,540
Current assets				
Accounts receivable	10	1,092,009,956	1,141,193,965	1,336,370,178
Accrued revenue	11	323,687,277	216,933,247	259,944,902
Prepayments and other debit balances	12	82,325,916	61,210,141	57,068,671
Bank deposits	14	341,498,210	-	-
Cash and cash equivalents	13	194,461,635	486,120,691	224,057,473
Total current assets		2,033,982,994	1,905,458,044	1,877,441,224
Total assets		2,455,278,848	2,367,536,857	2,387,291,764
EQUITIES AND LIABILITIES				
Equity				
Issued and paid-up share capital	15	50,000,000	50,000,000	50,000,000
Statutory reserve		25,000,000	25,000,000	25,000,000
Retained earnings		1,137,307,411	1,102,903,661	1,119,689,409
Total equity		1,212,307,411	1,177,903,661	1,194,689,409
Liabilities				
Non-current liabilities				
Capital lease liability - non-current portion	7	120,647,641	142,957,326	164,696,290
Provision for employees' end-of-service benefits	16	144,028,971	119,801,404	96,588,151
Total non-current liabilities		264,676,612	262,758,730	261,284,441
Current liabilities				
Accounts payable	17	210,071,379	226,448,852	286,416,474
Deferred revenue	18	200,084,362	102,904,310	95,056,939
Accrued expenses and other liabilities	19	545,829,399	575,782,340	528,661,658
Capital lease liability - current portion	7	22,309,685	21,738,964	21,182,843
Total current liabilities		978,294,825	926,874,466	931,317,914
Total liabilities		1,242,971,437	1,189,633,196	1,192,602,355
TOTAL LIABILITIES AND EQUIITY		2,455,278,848	2,367,536,857	2,387,291,764

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Saudi Riyals)

	Issued and paid-up share capital	Statutory reserve	Retained earnings	Total equity
Balance as at 31 December 2016 - as previously reported according to generally accepted standards in the Kingdom of Saudi Arabia	50,000,000	25,000,000	1,150,442,586	1,225,442,586
Impact of adopting IAS 19 (Note 4)	-	-	(18,490,743)	(18,490,743)
Impact of adopting IFRS 15 (Note 4)	-	-	(12,262,434)	(12,262,434)
Balance as at 1 January 2017 in accordance with IFRS	50,000,000	25,000,000	1,119,689,409	1,194,689,409
Net income for the year	-	-	368,610,423	368,610,423
Dividend distributions to shareholders (Note 29)	-	-	(383,235,417)	(383,235,417)
Other comprehensive income	-	-	(2,160,754)	(2,160,754)
Balance as at 31 December 2017	50,000,000	25,000,000	1,102,903,661	1,177,903,661
Impact of adopting IFRS 9 (Note 4)	-	-	(67,752,444)	(67,752,444)
Balance as at 1 January 2018	**50,000,000**	**25,000,000**	**1,035,151,217**	**1,110,151,217**
Net income for the year	**-**	**-**	**364,333,953**	**364,333,953**
Dividend distributions to shareholders (Note 29)	**-**	**-**	**(256,258,512)**	**(256,258,512)**
Other comprehensive income	**-**	**-**	**(5,919,247)**	**(5,919,247)**
Balance as at 31 December 2018	**50,000,000**	**25,000,000**	**1,137,307,411**	**1,212,307,411**

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(Saudi Riyals)

	Notes	31 December 2018	31 December 2017
Operating activities			
Net income for the year		364,333,953	368,610,423
Adjustments for non-cash items:			
Amortization and depreciation	8,7,5	67,828,297	67,999,307
Allowance for doubtful debts	11,10	4,901,237	86,779,495
Loss on disposal of property and equipment		122,571	938,420
Provision for employees' end-of-service benefits	16	33,811,485	29,335,697
Bank deposits income		(3,255,313)	-
Finance costs	7	4,555,548	6,865,730
		472,297,778	560,529,072
Working capital adjustments:			
Accounts receivable		(1,299,334)	109,584,066
Prepayments and other debit balances		(21,105,226)	(4,141,470)
Accrued revenue		(128,924,368)	41,824,307
Accounts payable		(16,377,473)	(59,967,622)
Deferred revenue		97,180,052	7,847,371
Accrued expenses and other liabilities		90,004,306	46,894,894
Cash from operations		491,775,735	702,570,618
Bank deposits income collected		3,013,047	-
Employees' end-of-service indemnities paid	16	(15,503,165)	(8,283,198)

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

	Notes	31 December 2018	31 December 2017
Net cash flows generated by operating activities		479,285,617	694,287,420
Investing activities			
Acquisition of property and equipment	5	(10,338,535)	(9,118,576)
Investments at fair value through other comprehensive income	9	(4,694,375)	-
Bank deposits	14	(341,498,210)	-
Proceed from sale of property and equipment		650,000	-
Capital work in progress	6	(12,657,960)	(12,047,424)
Additions to capital leased assets	7	(127,039)	-
Net cash flows used in investing activities		(368,666,119)	(21,166,000)
Financing Activities			
Dividends paid		(376,215,759)	(383,235,417)
Repayment of principle component from capital leases		(21,738,964)	(21,182,844)
Finance costs paid		(4,323,831)	(6,639,941)
Net cash flows used in financing activities		(402,278,554)	(411,058,202)
Net (decrease)/ increase in cash and cash equivalents		(291,659,056)	262,063,218
Cash and cash equivalents at beginning of the year	12	486,120,691	224,057,473
Cash and cash equivalents at the end of the year		194,461,635	486,120,691
Significant non-cash transactions:			
Dividends Payable		256,258,512	383,235,417
Transfer from capital work in progress to capital leased assets		52,228,590	1,300,005
Restatement impact of IFRS 9		67,752,444	-
Finance costs		231,717	-

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1- CORPORATE INFORMATION

Al-Elm Information Security Company (the "**Company**") was established in Riyadh, Saudi Arabia, as a Saudi Limited liability company on 24 Shawwal 1408H (corresponding to 8 June 1988). It was converted into a Saudi Joint Stock Company under the Royal Decree Number (M/90) dated 3 Dhul-Qi'dah 1428H (corresponding to 13 November 2007), and registered under Commercial Registration No. 1010069210. The Company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia.

The principal activities of the Company 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 government 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. In addition to provide support services, which are concerned with supporting public sectors, to provide public interview services and operational work for these sectors. Furthermore, 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 the 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 supporting the public sectors to provide public interview services and operational work.
3) Digital custom solution: It is specialized in providing technical solutions and consulting sevices in the field of information technology.
4) Training Solutions: It is specialized in providing training solutions in various fields.
5) Consulting: It specialized in providing consulting solutions for the government and private sector.

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

1) Yaqeen service
2) Automatic monitoring support service
3) Muqeem service
4) Umrah and Hajj service
5) Tamm service
6) Health insurance linkage service
7) Medical reports service (Efada)

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.
2) "Automatic monitoring support" service: The service aims to electronic connectivity between companies based on automated monitoring of traffic violations and the databases of the National Information Center at the Ministry of Interior to enable them to record traffic violations automatically according to the procedures followed by the Traffic Department in this regard.
3) "Muqeem" service: It is an information system that works on the Internet and allows beneficiaries to view information related to their guaranteed people as approved by the General Directorate of Passports. The system provides information on each guaranteed 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.

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

1- CORPORATE INFORMATION – CONTINUED

4) "Umrah and Hajj|" 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.

5) "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.

Subsidiaries

The Company has incorporated Emdad Al Khebrat Company Ltd., a limited liability company registered under commercial registration number 1010414975 dated 22 Rajab 1435H (corresponding to 21 May 2014) and is a wholly owned by Al-Elm Information Security Company and its head office located in Riyadh. The principal activities of Emdad Al Khebrat Company is to operate the call centers and services that provide consulting services in the electronic field business, operation and maintenance, import and export of devices, equipment, programs and manpower systems.

The Company and its subsidiary Emdad Al Khebrat Company are referred to together as the "Group" in these consolidated financial statements.

2- BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA).

For all years up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with generally accepted accounting standards as issued by SOCPA ("GAAP" as issued by "SOCPA"). These financial statements for the year ended 31 December 2018 are the first financial statements of the Group prepared in accordance with IFRS, and accordingly IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied. The date of transition to IFRS is 1 January 2017.

The accounting policies applied in these financial statements of the Group are the same as those applied in the financial statements of the Group for the periods ended 31 March 2018, 30 June 2018, and 30 September 2018. The Group has consistently applied the accounting policies throughout all periods presented, as if these policies had always been in effect.

The subsidiary prepares its financial statements for the same accounting period as the parent company, using similar accounting policies. All intra-parent company balances, transactions, income and expenses and profits and losses resulting from intra- parent company/subsidiary transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-parent company/subsidiary transactions are eliminated on consolidation.

(Saudi Riyals)

2- BASIS OF PREPARATION – CONTINUED

a) Statement of compliance - continued

An explanation of how the transition to IFRSs has affected the previously reported consolidated financial position as at 1 January 2017 and 31 December 2017 and the Group's consolidated equity for the year ended 31 December 2017 and 31 December 2016 in addition to the items of consolidated statement of profit and loss and other comprehensive income of the Company for the year ended 31 December 2017 is provided in Note (4).

The consolidated financial statements should be read in conjunction with Group's consolidated financial statements for the year ended 31 December 2017 that have been prepared in accordance with generally accepted standards in the Kingdom of Saudi Arabia, and the interim consolidated financial statements of the Group for the periods ended 31 March 2018, 30 June 2018 and 30 September 2018 that have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia.

Effective 1 January 2018, the Group has adopted IFRS 15 "Revenue from Contracts with Customers" IFRS 9 "Financial Instruments". The changes in accounting policies are also expected to be reflected in the financial statements of the Group as at and for the year ended 31 December 2018.

The impact of the transition to the application of IFRS 9 is to calculate the expected credit loss model on impairment of financial assets of the Group in accordance with requirements of IFRS 9 'Financial Instruments' amounting to SR 67.7 million as at 1 January 2018 (Note 4) and its value for the year ended 31 December 2018.

The impact of the transition to the application of IFRS 15 is to recalculate the Group's revenue recognition method in accordance with the requirements of IFRS 15 "Revenue from contracts with customers" amounting to SR 12.3 million as at 1 January 2017 (Note 4) and its value of SR 12.9 million for the year ended 31 December 2017.

b) Basis of consolidation

The subsidiary is consolidated from the date on which the parent company controls the subsidiary until such control ceases. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and the financial statements of the subsidiary.

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost principle, except for the provision for employees' end-of-service benefits, as it is calculated at the present value of future liabilities, and investments at fair value through other comprehensive income where they are measured at fair value.

d) Functional and presentation currency

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

e) Use of estimates

The preparation of the consolidated financial statements requires, in accordance with the International Financial Reporting Standards, the use of estimates and assumptions that affect the disclosed balances of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the disclosed amounts of income and expenses for the year in which the consolidated financial statements were prepared.

Although these assumptions and estimates are prepared in accordance with the best current information and events available to management, actual results may differ from these estimates.

AI-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

2- BASIS OF PREPARATION – CONTINUED

e) Use of estimates - continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimates, uncertainties and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

Measurement of ECLs

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows (Note 10).

Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods (Note 5).

Intangible assets

The management determines the estimated useful lives of intangible assets for calculating amortization. This estimate is determined after considering the expected usage of the intangible assets. Management reviews the residual value and useful lives annually and changes in amortization charges, if any, are adjusted in current and future periods (Note 8).

End-of-service benefits scheme

Cost of defined benefit obligation for employees and other post-employment benefits is identified in accordance with actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All assumption are reviewed at the date of preparation of each financial statements (Note 16).

3- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of its consolidated financial statements are set out below:

Current versus non-current classification of assets and liabilities

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

Assets are current when:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period.

3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Current versus non-current classification of assets and liabilities - continued

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle.
- Held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period,

Or

- There is no unconditional right to defer the settlement of the liabilities for at least twelve months after the reporting 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 assumption 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 to 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 valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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 market prices in active markets for identical assets or liabilities (without adjusting or renewing prices)
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair value measurement – continued

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Revenue recognition

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1: Identify the contract (contracts) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Define performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue

Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs.

For performance obligations, where one of the above conditions are not met, revenue is recognized at a point in time at which the performance obligation is satisfied (Note 4).

When the Group satisfies performance obligation through rendering promised services, this will lead to create an asset based on contract against a consideration earned from performance. In case of excess of consideration for which the costumer receives over the amount of revenue recognized, this could result in a contract liability.

Revenues are measured at fair value of consideration received or receivable, after taking into account terms of payment contracted, net of taxes and levies. The Group reviews revenue arrangements according to specific criteria to determine whether it is acting as a principal or agent.

Revenue is recognized to the extent that economic benefit will flow to the Group, and revenue and cost, if applicable can be measured reliably.

3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign currencies

Foreign transactions and balances

Transactions in foreign are initially translated by the Group's entities at the exchange rates prevailing for the relevant functional currency at the date in which the transaction becomes qualified first for recognition.

Monetary assets and liabilities denominated in foreign currency at exchange rates prevailing are translated to the functional currency on the date of preparing the condensed consolidated financial statements. Differences arising on settlement or translation 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 in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-cash items recorded in foreign currencies that are measured at fair value are translated at exchange rates prevailing at the date in which the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized 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 the cost of replacing part of property, plant and equipment and borrowing costs relating to long-term construction projects if the recognition criteria are met. If replacement of important parts of plant and equipment is required in stages, the Group depreciates these parts separately over their useful lives. Likewise, when a major test is performed, its cost is recognized in the carrying amount of plant and equipment as a replacement, if its 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 to decommission an asset (if any) is included after utilization under respective asset cost if it meets recognition criteria related to recognizing provision.

Any item of property, plant and equipment and any significant part that was initially recognized are derecognized upon disposal or when no future benefits are expected from use or disposal. Any gain or loss arising on derecognition of any asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

Projects under construction are stated at incurred cost until the assets are prepared for its intended purpose. Then, such cost is capitalized on the relevant assets. This includes the cost of contractors, materials, services and capital advances.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, (or contains), a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

The Group As a lessee

Leases are classified, on origination, as finance leases or operating leases. Leases for which all risks and benefits associated with ownership are transferred are classified as finance leases.

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases – continued

Finance leases are capitalized on the lease's inception at fair value of the leased property or, if lower, at present value of the minimum lease payments. Rental payments are split between finance costs and the decrease in lease obligations to reach a constant rate of return on the outstanding balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss and comprehensive income.

The leased asset is depreciated over the useful life of the asset. Where there is no reasonable assurance that the ownership will be transferred to the Group at the end of the lease period, the asset is depreciated over the estimated useful life of the asset or lease period, whichever is shorter.

An operating lease is a lease other than a finance lease. Lease payments under operating leases are recognized as operating expenses in the consolidated statement of profit and loss and comprehensive income on a straight-line basis over the term of the lease.

The Group As a lessor

Leases where the Group does not transfer all significant risks and benefits associated with ownership of the asset are classified as operating leases. Initial direct costs incurred during the negotiation and arrangement of an operating lease are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as rental income. contingent rentals are recognized as income during the period in which they are recognized.

Intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is charged to consolidated statement of profit or loss and comprehensive income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to ensure that the assessment made for the indefinite useful life is still supported, otherwise the change from "indefinite useful life" to "definite useful life" is made prospectively.

Any gain or loss arising on derecognition of the intangible assets is measured as a difference between the net disposal proceeds and the carrying amount of the assets, and is recognized in the consolidated statement of profit or loss and comprehensive income when the asset is derecognized.

Computer software

Computer software ae recognized at cost less accumulated amortization and accumulated impairment losses. Historical cost includes expenses attributable directly to purchase of items.

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

3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Finance costs

General and specific loan costs and Murabaha financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized over the period of time required to complete and prepare the asset for use or sale. Investment income earned on the temporary investment of specific loans until disbursed on qualifying assets is deducted from loan costs eligible for capitalization. All other loan costs are expensed in the period in which they are incurred in the consolidated statement of profit or loss and comprehensive income.

Impairment of non-financial assets

The Group assesses at each consolidated financial statements date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, or when it is required to perform annual testing to determine the existence of impairment, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value or cash-generating unit less costs to sell and its present value, and it is determined for each asset except for cases for which asset not resulting in cash inflows largely independent of those resulting from other assets or grope of assets. In cases for which an asset's carrying amount or cash-generating unit exceeds the recoverable amount, an asset is considered impaired, and reduced to recoverable amount.

In assessing present value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In assessing fair value less cost to sell, recent market transactions when available shall be taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group calculates the impairments based on information used in calculation detailed budgets and expectations which are prepared independently for each cash-generating unit in the Group in which as asset is allocated. Information used in calculation budgets and expectations covers normally five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations are recognized under expenses in the consolidated statement of profit or loss and other comprehensive income in consistent with the function of the impaired asset.

As for assets, other than goodwill, an assessment is made at each consolidated financial statement date to determine the existence of any indication for unavailability of impairment losses recognized previously or decreased. If such evidence exists, the Group estimates the asset's recoverable amount or cash-generating unit. An impairment loss recognized previously is reversed only if there has been a change in the assumptions used to determine the recoverable amount since recognition of last impairment loss. This reversal is limited such that an asset's carrying amount doesn't exceed its recoverable amount nor the fair value that would have been determined, net of depreciation, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of profit or loss and comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include of cash on hand and short-term deposits, as defined above, less bank overdrafts, if any as they are considered as an integral part of the Group's cash management.

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Dividends

The Group recognizes a liability to make cash or non-cash distributions to the shareholders when the distribution is approved and the distribution is no longer at the discretion of the Group. In accordance with the Regulations for Companies in the KSA, final dividends are recognized upon the approval of the General Assembly.

Provisions

Provisions are recognized when the Group has a legal present or expected obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and comprehensive income net of any reimbursement.

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

Employees' end-of-service benefits

The Group provides end-of-service benefits to employees that is qualified as defined benefits plan.

Net assets or liabilities of retirement scheme recognized in consolidated statement of financial position is the fair value of plan's assets, if any less the preset value of defined benefits obligation expected at reporting date.

Defined benefit obligation is re-measured periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Interest cost is calculated by applying the discount rate to the net defined benefit obligation and the fair value of plan's assets. This cost is included in employees' benefits expense in the consolidated statement of profit or loss and other comprehensive income.

Costs of defined benefit obligations for the initial periods are calculated on an annual basis using rate of retirement pensions cost actuarially defined at the end of last year, after adjust it with material volatility in the market and any significant events occurred for one time, such as plan amendment or a curtailment in manpower and payment. In the absence of such material volatility in the market and events occurred for one time, actuarial liabilities are carried forward based on assumptions at the beginning of the year. If there are significant changes on assumptions or arrangements during the initial period, re-measurement of such liabilities shall be taken into account.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. Costs of such plans initially include the current value of benefits obtained equally for each year of service and the benefits resulting from this obligation related to past employee's service.

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as finance costs. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

In Kingdom of Saudi Arabia, with regard to employees' end-of-service benefits liability, actuarial valuation takes into account Saudi Labor Law and the Group's policy.

3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Segment reporting

An operating segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

Segment reporting disclosure agree with the information reviewed by the chief operating decision maker. The entity discloses information on the applicable measurement bases, such as the nature and effect of any differences between measurements used in the information on the sectors to report and those measurements used.

Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standards replaces IAS (39) Financial Instruments.

Classification and Measurement - Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). This standard eliminates the existing IAS 39 categories of held to maturity, loans and borrowings and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to classification and measurement of financial assets.

Under IFRS 9, on initial recognition, a financial asset is classified as: at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the Group's business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

Investments at FVTOCI

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of debt instruments through other comprehensive income is subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Foreign exchange revenue, gains and losses are recognized in profit or loss.

On initial recognition, for the equity instruments, in the case of investments in equity instruments that are held for non-trading purposes, the Company may make an irrevocable election to designate these investments at fair value through other comprehensive income. Equities are designated (on an instrument-by-instrument basis) upon acquiring equities.

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Classification and Measurement - Financial Assets

A financial asset is initially measured at fair value plus, for an item not at FVPTL, transaction costs that are directly attributable to its acquisition (unless it is a trade receivable without a significant financial component that is initially measured at the transaction price).

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition of assets is recognized in profit or loss.

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

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

Impairment - financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date;
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Group may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group may elect to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group has elected to measure loss allowances for trade receivables at an amount equal to 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to additional actions.
- The financial asset is more that 360 days past due.

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Measurement of ECLs

ECLs are a probabilityweighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirement at 1 January 2018 results in an additional impairment allowance as follows:

Loss allowance at 31 December 2017 under generally accepted accounting standards in the Kingdom of Saudi Arabia	133,946,854
Additional impairment recognized at 1 January 2018	67,752,444
Trade receivables as at 31 December 2017	1,275,140,819
Loss allowance at 1 January 2018 under IFRS 9	201,699,298

Trade receivables

The following analysis provides further details about the calculation of ECLs related to trade receivables on the adoption of IFRS 9 Financial Instruments. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past three years. The Group performed the calculation of ECL rates separately for some customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, age of relationship and type f product purchased.

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3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Trade receivables - continued

	Weighted average loss rate	Carrying Value	Impairment allowance	Present value
0-90 Days	3.42%	671,849,972	(22,971,912)	648,878,060
91-180 days	6.21%	126,641,095	(7,867,701)	118,773,394
181-270 days	7.23%	68,852,236	(4,974,869)	63,877,367
271- 365 days	11.54%	41,901,644	(4,833,554)	37,068,090
1 year to 2 years	18.86%	185,137,572	(34,911,074)	150,226,498
2 years to 3 years	65.93%	141,740,774	(93,454,670)	48,286,104
More than 3 years	83.77%	39,017,526	(32,685,518)	6,332,009
Balance		**1,275,140,819**	**(201,699,298)**	**1,073,441,521**
Balance of impairment allowance provided at 1 January 2018				133,946,854
Impact of adopting IFRS 9 as 1 January 2018				67,752,444

The following table provides information about the exposure to credit risk and ECLS for trade receivables and contract assets for other costumers at 1 January 2018.

Disclosures

IFRS 9 requires extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

New standards and not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to follow these standards, if applicable, when they become effective.

The following new or amended standards are not expected to have a significant effect on the Group's financial statements:

- Annual Improvements to IFRS standards 2015–2017 Cycle – Amendments to IFRS 3 and 11 and IAS 12 and 23.
- IFRS 16 'Leases'
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Plan Amendment, Curtailment or Settlement on employees benefits (Amendments to IAS 19).

IFRS (16) - Leases

The Group is required to adopt IFRS 16 'Leases' from 1 January 2019. The Group has roughly assessed the estimated impact on its consolidated financial statements, as shown below. The actual impacts of adopting the standard on 1 January 2019 may change because:

The new accounting policies are subject to change until the Group presents its interim consolidated financial statements, which include the date of initial application and the policy actually applied.

3- SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

IFRS (16) – Leases - continued

IFRS 16 introduces a single lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group As a lessee

The Group will recognize new assets and liabilities for operating leases. Accordingly, the nature of the expenses related to these leases will change to become the depreciation of the right-to-use assets and the interest expense related to the lease liability.

Until 31 December 2018, the Group was recognizing operating lease expense on a straight-line basis over the lease term as well as assets and liabilities to the extent that there is a time difference between the actual lease payments and the expenses recognized.

In addition, the Group will no longer recognize the operating lease liability, and will instead include the payments due under the lease in the lease liability. It is not expected that there will be a material impact on the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognize additional lease liabilities related to operating leases with an approximate value of SR 56.8 million, with a corresponding reduction of SR 4 million in shareholders' equity and an increase of SR 52.8 million in the assets that represent rights-of-use assets as at 1 January 2019.

Transition

The Group as a lessee is required to apply this Standard to its leases either:

- Retrospectively to each prior reporting period presented applying IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; or
- Retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group will apply the transition retrospectively, with the cumulative effect of the initial application of the standard being recognized on the date of initial application as an adjustment to the balance of retained earnings on 1 January 2019 without reclassification of the comparative financial statements.

Annual Improvements to IFRSs (2015–2017 Cycle)

IAS 23 'Borrowing Costs'

Clarifies that the group of public borrowings used to calculate qualified borrowing costs exclude only borrowings specified to finance qualified assets which are under development or construction. While borrowings specified to finance qualified assets that are ready now for specific use or sell or any other unqualified assets will be included in that public Group. As the costs of the application on a retrospective basis may exceed the benefits, changes are applied on prospective basis on incurred borrowing costs on or after the date on which the entity applies the changes.

4- FIRST TIME ADOPTION OF IFRS

For all periods including the year ended 31 December 2017, the Group only prepared and issued its consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. The Group's consolidated financial statements have been prepared in accordance with in the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA).

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4- FIRST TIME ADOPTION OF IFRS - CONTINUED

Accordingly, the Group prepared the consolidated financial statements as per requirements of IFRS as endorsed in the Kingdom of Saudi Arabia applicable for periods beginning on or after 1 January 2017, with comparative period data. In preparing the accompanying consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at 1 January 2017 after making some adjustments required as a result of first time adoption of IFRS as endorsed in the Kingdom of Saudi Arabia.

In preparing the opening consolidated statement of financial position as at 1 January 2017, in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and the consolidated financial statements for the year ended 31 December 2017, the Group has assessed the impact and determined that the following adjustments should be made to amounts previously recorded in the consolidated financial statements prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Exemptions applied

IFRS 1 allows first-time IFRS adopters some exemptions from retrospective application of some of the requirements specified in IFRSs. The Group has applied the following exemptions:

a) (a) IFRS 9 'Financial Instruments'

The Group has applied an exemption not to restate comparative information for prior periods with respect to changes in classification and measurement (including impairment). Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognized in retained earnings as at 1 January 2018 as amounts are immaterial.

Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

b) IFRS 15 'Revenue from contracts with customers'

The Company applied IFRS 15 in its financial statements as of 1 January 2018 using the retrospective method for each reporting period presented in accordance with IAS 8 'Accounting Policies and Changes in Accounting Estimates and Errors' as it used practical expedients for completed contracts, which means that the completed contracts that started and ended in the same comparative period, as well as the contracts completed in the comparative period, have not been restated.

The Group's reconciliation of the financial position as on 1 January 2017 (date of transition to IFRS)

	Note	Saudi Accounting Standards "SOCPA"	Impact of transition to IFRS	IFRSs
ASSETS				
Property, plant and equipment		132,582,338	-	**132,582,338**
Capital work in progress		35,843,182	-	**35,843,182**
Capital leased assets		254,069,571	-	**254,069,571**
Intangible assets		87,355,449	-	**87,355,449**

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4- FIRST TIME ADOPTION OF IFRS - CONTINUED

b) IFRS 15 'Revenue from contracts with customers' - continued

	Note	Saudi Accounting Standards "SOCPA"	Impact of transition to IFRS	IFRSs
Non-current assets		509,850,540	-	**509,850,540**
Accounts receivable		1,336,370,178	-	**1,336,370,178**
Accrued revenue		257,500,908	2,443,994	**259,944,902**
Prepayments and other debit balances		57,068,671	-	**57,068,671**
Cash and cash equivalents		224,057,473	-	**224,057,473**
Current assets		1,874,997,230	2,443,994	**1,877,441,224**
Total assets		2,384,847,770	2,443,994	**2,387,291,764**
EQUITIES AND LIABILITIES				
Issued and paid-up share capital		50,000,000	-	**50,000,000**
Statutory reserve		25,000,000	-	**25,000,000**
Retained earnings		1,150,442,586	(30,753,177)	**1,119,689,409**
Total equity		1,225,442,586	(30,753,177)	**1,194,689,409**
Liabilities				
Capital lease liability - non-current portion		164,696,290	-	**164,696,290**
Provision for employees' end-of-service benefits	c-1	78,097,408	18,490,743	**96,588,151**
Non-current liabilities		242,793,698	18,490,743	**261,284,441**
Accounts payable		286,416,474	-	**286,416,474**
Deferred revenue		95,056,939	-	**95,056,939**
Accrued expenses and other liabilities		513,955,230	14,706,428	**528,661,658**
Capital lease liability - current portion		21,182,843	-	**21,182,843**
Current liabilities		916,611,486	14,706,428	**931,317,914**
Total liabilities		1,159,405,184	33,197,171	**1,192,602,355**
Total equity and liabilities		2,384,847,770	2,443,994	**2,387,291,764**

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4- FIRST TIME ADOPTION OF IFRS - CONTINUED

The Group reconciliation of the financial position as at 31 December 2017

	Note	Saudi Accounting Standards "SOCPA"	Impact of transition to IFRS	IFRSs
ASSETS				
Property, plant and equipment		100,869,159	-	100,869,159
Capital work in progress		46,590,601	-	46,590,601
Capital leased assets		254,069,571	-	254,069,571
Intangible assets		60,549,482	-	60,549,482
Non-current assets		462,078,813	-	462,078,813
Accounts receivable		1,162,639,852	(21,445,887)	1,141,193,965
Accrued revenue		219,754,192	(2,820,945)	216,933,247
Prepayments and other debit balances		51,870,964	9,339,177	61,210,141
Cash and cash equivalents		486,120,691	-	486,120,691
Current assets		1,920,385,699	(14,927,655)	1,905,458,044
Total assets		2,382,464,512	(14,927,655)	2,367,536,857
EQUITIES AND LIABILITIES				
Issued and paid-up share capital		50,000,000	-	50,000,000
Statutory reserve		25,000,000	-	25,000,000
Retained earnings	c-2	1,151,639,282	(48,735,621)	1,102,903,661
Total equity		1,226,639,282	(48,735,621)	1,177,903,661
Liabilities				
Capital lease liability - non-current portion		142,957,326	-	142,957,326
Provision for employees' end-of-service benefits	c-1	96,236,614	23,564,790	119,801,404
Non-current liabilities		239,193,940	23,564,790	262,758,730
Accounts payable		226,448,852	-	226,448,852
Deferred revenue		102,904,310	-	102,904,310
Accrued expenses and other liabilities		565,539,164	10,243,176	575,782,340
Capital lease liability - current portion		21,738,964	-	21,738,964
Current liabilities		916,631,290	10,243,176	926,874,466
Total liabilities		1,155,825,230	33,807,966	1,189,633,196
Total equity and liabilities		2,382,464,512	(14,927,655)	2,367,536,857

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4- FIRST TIME ADOPTION OF IFRS - CONTINUED

The Group reconciliation of the statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Note	Saudi Accounting Standards "SOCPA"	Impact of transition to IFRS	IFRSs
Revenue		2,003,785,133	(22,247,574)	1,981,537,559
Cost of revenue		(1,292,646,465)	7,305,662	(1,285,340,803)
Gross profit		711,138,668	(14,941,912)	696,196,756
Selling and marketing		(147,551,911)	(232,484)	(147,784,395)
General and administrative		(193,445,529)	(647,294)	(194,092,823)
Amortization and depreciation		(67,999,307)	-	(67,999,307)
Operations profit		302,141,921	(14,062,134)	286,320,231
Finance costs		(6,865,730)	-	(6,865,730)
Return on short-term deposits		485,180	-	485,180
Reversal of Zakat provision		84,111,397		84,111,397
Other income		4,559,345	-	4,559,345
Net income for the year		384,432,113	(14,062,134)	368,610,423
Other comprehensive income		-	-	-
Re-measurement for end-of-service benefits		-	(2,160,754)	(2,160,754)
		384,432,113	(17,982,444)	366,449,669

The Group reconciliation of statement of changes in equity:

	1 January 2018	31 December 2017	1 January 2017
Equity as per Saudi accounting standards "SOCPA"	1,226,639,282	1,226,639,282	1,225,442,586
Provision for end-of-service benefits (Note 4-c-1)	(20,651,497)	(20,651,497)	(18,490,743)
Adjustments of revenue (Note 4-c-2)	(25,170,831)	(25,170,831)	(12,262,434)
Adjustment of Provision for doubtful debts (Note 4-c-3)	(67,752,444)	-	-
Equity as per IFRS	1,035,151,217	1,102,903,661	1,119,689,409

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4- FIRST TIME ADOPTION OF IFRS - CONTINUED

Notes to the main effects on the consolidated financial statements regarding the transition to IFRS

c.1) Provision for employees' end-of-service benefits

The Group has recognized the costs related to post-employment benefits as per the Saudi Labor Law. In accordance with IFRS, pension obligations are recognized on an actuarial basis. The retirement liability was recognized in full against retained earnings.

c-2) Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Services rendered	Nature and timing of satisfaction of performance obligations, including significant payment terms	Nature of change in accounting policy
Electronic services sector Outsource services Information technology services Training solutions services	Revenue is recognized when the risks and rewards of the ownership have been transferred to the customer. Revenue is recognized at that time provided that such revenue and costs can be measured reliably, the recovery of the amount is probable and there is no continuing managerial involvement with the goods.	In accordance with IFRS 15, revenue is recognized when the customer obtains control. This is done when the service is accepted and delivered, so that at that time invoices are issued and the revenue recognized.

c-3) Allowance for doubtful debt

On application of IFRS 9, the allowance for doubtful debts is calculated using the expected credit loss related to trade receivables method instead of calculating the allowance using the aging debt method.

5- PROPERTY, PLANT AND EQUIPMENT

IT Devices	20% - 33.3%	Leasehold Improvement	20%
Furniture and Fixture	20%	Vehicles	25%
Furniture and fixtures	20%	Motor vehicles	25%

	IT devices	Furniture and fixtures	Leasehold improvements	Vehicles	Total
Cost					
Balance as at 1 January 2017	40,875,749	38,397,145	117,265,361	10,357,258	**206,895,513**
Additions during the year	5,791,895	1,343,721	-	1,982,960	**9,118,576**
Disposals during the year	(222,685)	(1,588,996)	(3,877,433)	(2,949,158)	**(8,638,272)**
Transfers during the year	-	-	1,300,005	-	**1,300,005**
Balance as at 31 December 2017	46,444,959	38,151,870	114,687,933	9,391,060	**208,675,822**
Additions during the year	9,029,704	1,096,631	-	212,200	**10,338,535**

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5- PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	IT devices	Furniture and fixtures	Leasehold improvements	Vehicles	Total
Disposals during the year	(483,881)	(5,856,364)	(11,786,405)	(2,240,000)	**(20,366,650)**
Balance as at 31 December 2018	**54,990,782**	**33,392,137**	**102,901,528**	**7,363,260**	**198,647,707**
Accumulated depreciation					
Balance as at 1 January 2017	26,874,324	18,340,557	22,463,528	6,634,766	**74,313,175**
Depreciation during the year	7,779,354	6,499,411	24,934,398	1,980,177	**41,193,340**
Disposals during the year	(89,301)	(1,320,906)	(3,837,649)	(2,451,996)	**(7,699,852)**
Balance as at 31 December 2017	34,564,377	23,519,062	43,560,277	6,162,947	**107,806,663**
Depreciation during the year	7,533,893	5,340,442	19,590,711	1,427,058	**33,892,104**
Disposals during the year	(277,786)	(5,550,517)	(11,525,776)	(2,240,000)	**(19,594,079)**
Balance as at 31 December 2018	**41,820,484**	**23,308,987**	**51,625,212**	**5,350,005**	**122,104,688**
Net carrying amount					
As at 31 December 2018	13,170,298	10,083,150	51,276,316	2,013,255	**76,543,019**
As at 31 December 2017	11,880,582	14,632,808	71,127,656	3,228,113	100,869,159
As at 1 January 2017	14,001,425	20,056,588	94,801,833	3,722,492	**132,582,338**

6- 6. CAPITAL WORK IN PROGRESS

Capital work in progress consist of the following:

	31 December 2018	31 December 2017	1 January 2017
Main building of the Group (a)	-	46,590,601	34,543,177
Additional buildings of the Group (b)	**1,533,727**	-	1,300,005
Platforms and electronic products (c)	**5,486,244**	-	-
At the end of the year	**7,019,971**	46,590,601	35,843,182

The movement in payments for capital work was as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	**46,590,601**	35,843,182	74,680,823
Additions	**12,657,960**	12,047,424	46,753,627
Transferred to capital leased assets (Note 7)	**(52,228,590)**	(1,300,005)	(85,591,268)
At the end of the year	**7,019,971**	46,590,601	35,843,182

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6- CAPITAL WORK IN PROGRESS - CONTINUED

a) During 2011, the Group entered into an agreement to purchase a land and construct a building in the Information and Communication Technology Complex, with a total value of SR 293.4 million. Under this agreement, the Company that owns the project will carry out construction work to construct the building according to the terms and specifications stipulated in the agreement. During 2011, the Group has paid the entire value of the land amounting to SR 25.7 million, provided that it will pay the annual installments related to the construction of the building according to the schedule of payments for a period of thirteen years, with a total value of SR 267.7 million, starting from the date of signing the purchase and construction agreement. The building was completed and relocated during the first quarter of 2018 (Note 7).

b) Group headquarters building (2): The building was completed and relocated during the fourth quarter of 2016. In addition to the "Elm" office in Jeddah, as the project started on 15 September 2018, it is expected to be completed on 31 March 2019, with works valued at SR 1,533,727.

c) The line item of platforms and electronic products represents as follows:

- Elm X platform is the platform that will provide a horizontal set of shared services for Elm products, projects, and services, allowing fast rendering of basic Elm services and the expected completion date is in July 2019, with works of SR 1,968,373.
- Digital payment Platform that will be implemented and will enable Elm to accept payments for its products and services through various payment methods such as Mada (debit card payments), Visa, MasterCard, and Sadad with an expected completion date in February 2019, with works of SR 1,703,665.
- Elm Inspection platform is a platform owned by Elm and will be used for inspection purposes with an expected completion date in January 2019, with works of SR 1,814,206.

7- CAPITAL LEASES

Disclosures related to the consolidated statement of financial position

	Lands	Buildings	Total
Cost			
Balance as at 1 January 2017	25,760,000	228,309,571	**254,069,571**
Balance as at 31 December 2017	25,760,000	228,309,571	**254,069,571**
Additions during the year	-	127,039	**127,039**
Transfers during the year	-	52,228,590	**52,228,590**
Amortization during the year	-	(7,130,224)	**(7,130,224)**
Balance as at 31 December 2018	25,760,000	273,534,976	**299,294,976**

The liabilities relating to the capital lease consist of the following:

	31 December 2018	31 December 2017	1 January 2017
Capital lease liabilities - current portion	**22,309,685**	21,738,964	21,182,843
Capital lease liabilities - non-current portion	**120,647,641**	142,957,326	164,696,290

(Saudi Riyals)

7- CAPITAL LEASES - CONTINUED

An analysis of the lease payments for the next five years in aggregate is as follows:

Year	value
2020	22,895,389
2021	23,496,470
2022	24,113,331
2023	24,746,387
2024	25,396,064
	120,647,641

Disclosures related to the consolidated statement of profit or loss

	31 December 2018	31 December 2017
Depreciation charge	(7,130,224)	-
Finance costs	(4,555,548)	(5,105,741)
Total	(11,685,772)	(5,105,741)

8- INTANGIBLE ASSETS

	Total
Cost	
Balance as at 1 January 2017	128,381,002
Balance as at 31 December 2017	128,381,002
Balance as at 31 December 2018	**128,381,002**
Accumulated amortization	
Balance as at 1 January 2017	41,025,553
Amortization during the year	26,805,967
Balance as at 31 December 2017	67,831,520
Amortization during the year	26,805,969
Balance as at 31 December 2018	**94,637,489**
Net carrying amount	
As at 31 December 2018	**33,743,513**
As at 31 December 2017	60,549,482
As at 1 January 2017	87,355,449

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9- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018	31 December 2017	1 January 2017
Unifonic Company*	4,694,375	-	-

* Unifonic Company was incorporated according to the Virgin Islands Business Companies law. The number of shares owned is 1,562,500 shares of USD 0.01 per share, which were purchased at a value of USD 0.8 equivalent to SR 3.0044 per share, which constitutes 1.2% of the total shares paid as at 31 December 2018.

10- 10.ACCOUNTS RECEIVABLE

The accounts receivable as at 31 December consist of the following:

	31 December 2018	31 December 2017	1 January 2017
Government receivables	866,448,747	980,941,811	1,160,862,212
Trade receivables	409,991,406	294,199,008	223,862,573
	1,276,440,153	1,275,140,819	1,384,724,785
Allowance for doubtful debts	(184,430,197)	(133,946,854)	(48,354,607)
	1,092,009,956	1,141,193,965	1,336,370,178

Movement in provision for doubtful debts was as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	133,946,854	48,354,607	32,347,311
Impact of adopting IFRS 9 (Note 4-c-3)	67,752,444	-	-
Provided during the year	3,135,636	85,955,598	16,007,296
Provision reversed during the year	(20,404,737)	(363,351)	-
At the end of the year	184,430,197	133,946,854	48,354,607

11- ACCRUED REVENUE

Accrued revenue represent revenue earned from services performed by the Group during the year that were not invoiced to customers until the date of the consolidated financial statements, and those revenues will be invoiced during subsequent periods.

Accrued revenue as at 31 December comprise the following:

	31 December 2018	31 December 2017	1 January 2017
Government receivables	290,947,216	214,363,042	242,840,575
Trade receivables	56,137,696	3,797,502	17,144,276
	347,084,912	218,160,544	259,984,851
Allowance for doubtful debts	(23,397,635)	(1,227,297)	(39,949)
	323,687,277	216,933,247	259,944,902

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11- ACCRUED REVENUE - CONTINUED

Movement in provision for doubtful debts was as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	1,227,297	39,949	4,640,753
Provided during the year	22,170,338	1,227,297	39,949
Provision reversed during the year	-	(39,949)	(4,640,753)
At the end of the year	23,397,635	1,227,297	39,949

12- PREPAID EXPENSES AND OTHER DEBIT BALANCES

Prepaid expenses and other receivables as at 31 December comprise of the following:

	31 December 2018	31 December 2017	1 January 2017
Employees' receivables	27,997,220	19,701,021	19,102,868
Deposit and prepaid rent	25,316,975	17,890,292	19,937,433
Deferred cost	16,551,151	19,760,024	13,857,245
Advances to suppliers	11,548,597	3,018,717	1,322,023
Others	911,973	840,087	2,849,102
	82,325,916	61,210,141	57,068,671

13- CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, comprise the following:

	31 December 2018	31 December 2017	1 January 2017
Balances with banks	74,461,635	285,635,511	224,057,473
Short-term Murabaha deposits*	120,000,000	200,485,180	-
	194,461,635	486,120,691	224,057,473

* The balance of short-term Murabaha deposits consists of short-term deposits mature between one to three months. The average commission is 1.76% annually. During the year ended 31 December 2018, the consolidated statement of profit or loss was charged with total deposit income of SR 3.1 million (2017: SR 485 thousand).

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14- BANK DEPOSITS

The balance of long-term bank deposits consists of long-term deposits with a term of more than three months. The average commission is 3.61% annually. The consolidated statement of profit or loss and other comprehensive income has been charged with a total deposit income of SR 101.8 thousand during the year ended 31 December 2018.

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- PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

Key actuarial assumption	Annual value (%)
Financial assumptions:	
• Net discount rate	**5%**
• Salary increase rate	**5%**
Demographic assumptions:	
• Retirement age	60
	Group A: 16.1%
• Employee turnover rates	Group B: 11%
	Group C: 15.7%
• Mortality rate	From AM table (80)
• Resignations rate	80%
• Termination rate	20%

Expenses of provision for employees' end-of-service benefits

	31 December 2018	31 December 2017
Current service cost	33,811,485	29,335,697

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16- PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS - CONTINUED

Movement in the present value of employees' end-of-service benefits

	31 December 2018	31 December 2017	1 January 2017
Opening balance - present value of employees' end-of-service benefits	119,801,404	96,588,151	56,835,315
Current service cost	27,821,415	24,506,290	24,279,110
Current service financing cost	5,990,070	4,829,407	-
Benefits paid	(15,503,165)	(8,283,198)	(3,017,017)
Actuarial loss arising from liability	5,919,247	2,160,754	18,490,743
Closing balance of the provision for employees' end of service benefits	144,028,971	119,801,404	96,588,151

Sensitivity analysis for actuarial assumptions is as follows:

	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1 % movement)	(13,791,656)	16,389,784	(13,224,049)	15,938,179
Rate of salary increase (1% movement)	16,597,621	(14,220,384)	16,094,201	(13,593,711)
Mortality rate (10% movement)	(25,001)	25,070	(38,401)	10,362
Employees' turnover rate (10% movement)	(2,085,854)	2,241,661	(1,842,791)	1,935,233

17- ACCOUNTS PAYABLE

Accounts payable are amounts which are due to suppliers that have not 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- DEFERRED REVENUE

Deferred revenue represents revenue received in advance from contracts that the Group has not completed or did not generate revenue up to the date of the consolidated financial statements, in accordance with the terms of the contract. It is expected that these revenues will be realized in subsequent periods less than a year.

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

19- ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	31 December 2018	31 December 2017	1 January 2017
Contractual costs	**265,123,832**	189,515,761	238,324,307
Employees' payable	**165,264,361**	159,265,066	133,086,536
Advances from customers	**54,517,181**	39,771,120	25,729,059
Unpaid dividends	**28,129,256**	148,086,503	109,394,246
Marketing and sales commissions	**20,271,824**	26,725,023	4,684,656
Others	**12,522,945**	12,418,867	17,442,854
	545,829,399	575,782,340	528,661,658

20- COSTS OF REVENUE

Operating costs for the period ended 31 December comprise of the following:

	31 December 2018	31 December 2017
Employees' salaries and benefits	**702,080,707**	631,501,952
Direct costs	**504,325,453**	653,838,851
	1,206,406,160	1,285,340,803

21- SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended December 31 comprise the following:

	31 December 2018	31 December 2017
Employees' salaries and benefits	**48,608,512**	49,183,197
Advertisements and exhibitions	**9,519,812**	3,628,476
Public relations	**6,229,090**	6,142,319
Allowance for doubtful debts (Notes 10, 11)	**-**	87,142,945
Other expenses	**5,827,629**	1,687,458
	70,185,043	147,784,395

(Saudi Riyals)

22- GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses for the year ended 31 December comprise of the following:

	31 December 2018	31 December 2017
Employees' salaries and benefits	141,250,261	125,005,512
Rental	18,230,347	19,895,178
Consultancy and professional services	15,429,976	13,146,457
Hospitality and activities	10,508,789	8,419,456
Board's and committees' remuneration	6,189,000	1,107,500
Utilities and communication	4,558,547	12,409,982
Other expenses	20,855,733	14,108,738
	217,022,653	194,092,823

23- OTHER INCOME

Other income for the year ended 31 December comprise the following:

	31 December 2018	31 December 2017
Funds received from Human Resources Development Fund to support Saudization	4,099,727	4,257,132
Elm Building rental gains (4)	2,060,000	-
Others	107,644	302,213
	6,267,371	4,559,345

24- TRANSACTIONS WITH RELATED PARTIES

Related parties consist of shareholders of the Group, associated and affiliated companies, directors and top management personnel. 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 Fund	Owner
Key management personnel	Employees
Board Members	Members

The transactions with related parties are similar to the business transactions with external parties. Details of the significant translations with related parties during the year ended 31 December is as follows:

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

24- TRANSACTIONS WITH RELATED PARTIES - CONTINUED

	2018	2017
Transactions with owner		
Services revenue	8,617,877	2,637,495
Dividends	256,258,512	383,235,417
Transactions with the Board of Directors and key management personnel		
Salaries and benefits	20,651,679	15,145,910
Bonus and allowances	7,357,597	5,393,465
End-of service benefits	3,631,503	2,143,055
Balances		
Due from related parties included in account receivable for service income	8,993,660	663,108
Due to related parties included in accrued expenses and other liabilities for dividend distribution	28,129,256	148,086,503
End-of-service benefits for key management personnel	15,071,694	11,379,514

25- SEGMENT INFORMATION

The following are the selected financial information for these sectors:

For the year ended 31 December 2018	Products group	Digital support	Specialized digital solutions	Consulting	Training solutions	Total
Revenue	1,042,271,756	326,294,625	380,370,588	118,305,906	58,467,332	1,925,710,207
Employees costs	(188,164,002)	(263,137,369)	(195,804,473)	(34,721,550)	(20,253,313)	(702,080,707)
Direct cost	(204,853,771)	(49,500,713)	(154,165,494)	(59,703,608)	(36,101,867)	(504,325,453)
Gross profit	649,253,983	13,656,543	30,400,621	23,880,748	2,112,152	719,304,047
Profit 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

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

24- SEGMENT INFORMATION - CONTINUED

For the year ended 31 December 2017	Products group	Digital support	Specialized digital solutions	Consulting	Training solutions	Total
Revenue	925,876,115	407,707,893	438,885,908	66,311,151	142,756,492	**1,981,537,559**
Employees costs	(115,468,024)	(240,619,988)	(220,606,685)	(28,184,722)	(26,622,533)	**(631,501,952)**
Direct cost	(191,046,346)	(77,052,328)	(272,385,289)	(30,084,812)	(83,270,076)	**(653,838,851)**
Gross profit	619,361,745	90,035,577	(54,106,066)	8,041,617	32,863,883	**696,196,756**
Profit margin	67%	22%	(12%)	12%	23%	**35%**
Total assets	1,106,234,811	487,128,523	524,379,948	79,228,422	170,565,153	**2,367,536,857**
Total liabilities	555,857,726	244,770,957	263,488,947	39,810,473	85,705,093	**1,189,633,196**

26- ZAKAT

The Group filed 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 31 December 2017, which ends on 30 April 2019. The Group has not received any Zakat assessments for previous year up to 31 December 2017. As the group is 100% owned by the Public Investment Fund, and based on the correspondence that was made with the GAZT, it does not oblige the Group to pay and provide the Group with an annual facilities letter, while the Group must still maintain regular accounts, issue audited financial statements, register with the GAZT, and take into consideration regular dates in submitting the annual Zakat return for the purpose of information only, and provide GAZT with information about contracts entered into with other parties in addition to any other contracts and committing to the withholding taxes and its procedures.

During the fourth quarter of the year 2017, the Company completely reversed the Zakat provision of SR 84.1 million, which represents the provision made for the years from 2013 to 2016, based on the letter of the General Authority for Zakat and Income dated 10 May 2017 stating that the government companies subject to Zakat is still under study by GAZT, and that government companies are required to file Zakat returns without paying the amount due for information purposes only.

27- CONTINGENCIES

As at 31 December 2018, the Group has outstanding bank guarantee letters from a local bank amounting to SR 26,8 (31 December 2017: SR 9 million).

28- EARNINGS PER SHARE

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

29- DIVIDENDS

At its meeting held on 23 Sha'aban 1439H (corresponding to 9 May 2018), the Ordinary General Assembly approved the distribution of dividends to shareholders for the year 2017 in the amount of SR 256,258,512 (2016: SR 383,235,417) at SR 51.2517 per share in addition to Board of directors' remuneration in the amount of SR 735,000.

30- RISK MANAGEMENT

a) Commission rate risk

Is the risk that the value of a financial instrument will fluctuate due to changes in the market commission rates. As there are no commission bearing assets or liabilities, the Group is not subject to commission rate fluctuation risk.

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

30- RISK MANAGEMENT - CONTINUED

b) Interest rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Company's interest rate risk arise mainly from short term bank deposits and bank debts and long term debts, which are at floating rates of interest. All loans and deposits are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of accounts receivable and accrued revenue represent the maximum exposure to credit risk.

Impairment losses on accounts receivable and accrued revenue recognized in profit or loss were as follows:

	2018	2017
Impairment loss on accounts receivable and accrued revenue (Notes 10, 11)	4,901,237	-

At 31 December 2018, the exposure to credit risk for accounts receivable and accrued revenue by type of client (government or non-government) was as follows:

	Accounts receivable		Accrued revenue	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Government receivables	866,448,747	980,941,811	290,947,216	214,363,042
Trade receivables	409,991,406	294,199,008	56,137,696	3,797,502
	1,276,440,153	1,275,140,819	347,084,912	218,160,544

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available information about customers) and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable and accrued revenue for government clients as at 31 December 2018:

Government receivables					
31 December 2018	Credit rating	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Non-credit impaired
Grades 1-6: Low risk	AAA to -BBB	0.037%	838,557,415	311,073	No
Grade 12: Loss	D	100%	27,891,332	27,891,332	Yes
			866,448,747	28,202,405	

(Saudi Riyals)

30- RISK MANAGEMENT - CONTINUED

c) Credit risk - continued

Government accrued revenue:					
31 December 2018	Credit rating	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Non-credit impaired
Grades 1-6: Low risk	AAA to -BBB	0.037%	273,738,753	101,544	No
Grade 12: Loss	D	100%	17,208,463	17,208,463	Yes
			290,947,216	17,310,007	

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

The following table provides information about the exposure to credit risk and ECLs for accounts receivable and accrued revenue for non-government clients as at 31 December 2018:

31 December 2018	Non-government accounts receivable			
	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Non-credit impaired
Past due 1–90 days	10.44%	146,512,276	15,293,962	No
Past due 91–180 days	10.44%	59,883,376	6,251,040	No
Past due 181–270 days	30.86%	86,845,061	26,803,280	No
Past due 271-360 days	44.44%	720,749	320,311	No
Past due 361-450 days	57.07%	752,959	429,728	No
Past due 451–540 days	70.20%	127,358	89,406	No
Past due 541–630 days	73.35%	560,505	411,140	No
Past due 631–720 days	78.76%	1,276,744	1,005,618	No
Past due 721–810 days	80.48%	14,014,966	11,278,644	No
Past due 811–900 days	81.04%	5,765,446	4,672,143	No
Past due 901–990 days	82.43%	21,671,492	17,864,507	No
Past due 991–1080 days	91.54%	620,032	567,572	No
Past due for more than 3 years	100.00%	71,240,441	71,240,441	Yes
Total		**409,991,405**	**156,227,792**	

Al-ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 December 2018

(Saudi Riyals)

30- RISK MANAGEMENT - CONTINUED

c) Credit risk - continued

31 December 2018	Non-government accrued revenue:			
	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Non-credit impaired
Past due 1–90 days	6.13%	32,463,401	1,990,270	No
Past due 91–180 days	6.13%	14,410,563	883,484	No
Past due 181–270 days	25.50%	6,153,370	1,568,891	No
Past due 271-360 days	44.03%	1,591,410	700,685	No
Past due 361-450 days	53.21%	308,544	164,180	No
Past due 451–540 days	60.64%	623,010	377,808	No
Past due 541–630 days	67.17%	289,198	194,244	No
Past due 631–720 days	67.17%	263,090	176,708	No
Past due 721–810 days	0.00%	-	-	No
Past due 811–900 days	0.00%	-	-	No
Past due 901–990 days	76.90%	16,247	12,494	No
Past due 991–1080 days	0.00%	-	-	No
Past due for more than 3 years	100.00%	18,864	18,864	Yes
Total		**56,137,697**	**6,087,628**	

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

The movement in the allowance for impairment in respect of trade receivables and accrued revenue during the year was as follows:

	2018
Balance at 1 January as per Saudi accounting standards"SOCPA"	135,174,151
Adjustment on initial application of IFRS 9	67,752,444
Balance at 1 January under IFRS 9	202,926,595
Net re-measurement of loss allowance	4,901,237
Balance at 31 December	207,827,832

30- RISK MANAGEMENT - CONTINUED

d) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations related to financial liabilities when they fall due. The Group limits its liquidity risk by ensuring that self-liquidity required are continually available.

e) The risk of fluctuation in currency exchange rates

Currency risk is the risk that a financial instrument will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than USD, GBP and EUR during the year. The Group is not exposed to risk of fluctuation in currency exchange rates during the year. Also, the management does not expect the Group to significantly undertake transactions related to such risk in the future.

31- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties is an arm's length transaction.

Financial assets of the Group comprise of bank balances, trade receivables and accrued revenue. Financial labilities comprise of accounts payables, deferred revenue and advances from service providers. The fair values of financial instruments are not materially different from their carrying values.

32- APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 26 Rajab 1440H (corresponding to 2 April 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

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.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

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 OF FINANCIAL POSITION

AS AT 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 om 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 (CONTINUED)

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			
Accounts receivable	10	1,116,100,812	1,092,009,956
Contract assets	11	414,302,099	323,687,277
Prepaid expenses and other debit balances	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

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 (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

	Notes	31 December 2019	31 December 2018
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			
Accounts 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:			
Account receivable		(24,090,856)	(1,299,334)
Prepaid expenses and other debit balance		(21,351,068)	(21,105,226)
Contract assets		(90,614,822)	(128,924,368)
Accounts 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)

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 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
Significant non-cash transactions:			
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 other debit 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

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

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 specialized in providing consulting solutions for the government and private sector.EE

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

1)	Yaqeen service	4)	Tamm service
2)	Muqeem service	5)	Absher service
3)	Umrah 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.

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.

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

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.

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.

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

2- BASE OF PREPARATION (CONTINUED)

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.

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.

2- BASE OF PREPARATION (CONTINUED)

e.2 Using assumptions and estimates (continued)

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.

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.

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

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".

- 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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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.

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.

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

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

The following are the 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.

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(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee end of service benefits (continued)

Re-measurements, comprising actuarial gains and losses, are reflected immediately in other comprehensive income in the period in which they occur. Changes in the present value of the defined benefit liabilities resulting from settlements or downsizing the program are recognized 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.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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.

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI

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

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

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

Impairment of financial assets

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

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

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

Definition of default

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

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

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- 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.

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3- 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.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Equity instruments (continued)

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.

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.

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

4-1 E4-1 New and amended IFRSs that are effective for the current year (continued)

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.

As a leasee

The Group previously classified the leases as operating or financing leases based on its assessment of whether the lease transfers all risks and rewards of ownership of the underlying asset to the group. 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.

Initial recognition

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

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

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

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

4-1 E4-1 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:

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

e) Reducing book value to reflect lease payments made.

f) 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.

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

4-1 E4-1 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.	

(Saudi Riyals)

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

4-1 E4-1 New and amended IFRSs that are effective for the current year (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 3 Business Combinations	**January 1, 2019**
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.	
IFRS 11 Joint Arrangements	**January 1, 2019**
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.	
IAS 12 Income Taxes	**January 1, 2019**
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.	
IAS 23 Borrowing costs	**January 1, 2019**
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.	
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement.	**January 1, 2019**
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.	

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

4-1 E4-1 New and amended IFRSs that are effective for the current year (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.'	

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

4-1 E4-1 New and amended IFRSs that are effective for the current year (continued)

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'.	
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	**January 1, 2022**
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.	
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.

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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	107,806,6633
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

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5- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The liabilities of purchasing a property consist of the following:

	December 31, 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

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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:		
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**

(Saudi Riyals)

6- CAPITAL WORK IN PROGRESS (CONTINUED)

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

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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

(Saudi Riyals)

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**

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.

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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

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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:		
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.

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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 A: 16.1%
	Group B: 11%	Group B: 11%
	Group C: 15.7%	Group C: 15.7%
Mortality rate	From AM table (80)	From AM table (80)
Resignation rate	80%	80%
Termination rate	20%	20%

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18- 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.

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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

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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:

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24- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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		
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

	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

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25- SEGMENT INFORMATION

The following are the selected financial information for these sectors:

For the year ended December 31, 2019	Product suits	Digital out-sourcing	Digital custom solution	Consulting	Training solu-tions	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	738,135,547	236,021,573	211,654,268	83,351,591	33,350,727	1,302,513,706
For the year ended 31 December 2018	**Product suits**	**Digital out-sourcing**	**Digital custom solution**	**Consulting**	**Training solu-tions**	**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

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25- SEGMENT INFORMATION (CONTINUED)

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.

(Saudi Riyals)

29- RISK MANAMGMENT (CONTINUED)

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.

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	

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

29- RISK MANAMGMENT (CONTINUED)

c) Credit risk (continued)

Government contract assets					
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%	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.

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:

non-government Account receivable				
31 December 2019	Weighted average loss rate	Total carrying value	Impairment loss provision	Low credit value
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**	

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

29- RISK MANAMGMENT (CONTINUED)

c) Credit risk (continued)

non-government Contract assets				
31 December 2019	Weighted average loss rate	Total carrying value	Impairment loss provision	Low credit value
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.

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.

ELM INFORMATION SECURITY COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

(Saudi Riyals)

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.

Al ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Elm Information Security Company ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss and other comprehensive income items, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

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

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

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

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

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

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.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Mohammed Subahi
License No. 378

26 Sha'ban, 1442 AH
April 8, 2021

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(Saudi Riyals)

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

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, Plant and equipment	5	**373,732,417**	354,832,427
Capital work in progress	6	**108,538,021**	48,147,079
Right-of-use assets	7	**131,457,589**	153,909,953
Intangible assets	8	**82,978,472**	18,677,252
Investments in associates	9	**212,556**	-
Other financial assets	10	**34,272,554**	16,441,497
Total non-current assets		**731,191,609**	592,008,208
Current assets			
Accounts receivable	11	**1,370,495,889**	1,116,100,812
Contract assets	12	**269,127,254**	414,302,099
Prepaid expenses and other debit balances	13	**79,917,932**	99,018,546
Other financial assets	10	**11,171,707**	3,755,200
Bank deposits	14	**537,968,184**	482,063,295
Cash and cash equivalents	15	**1,013,318,368**	104,827,765
Total current assets		**3,281,999,334**	2,220,067,717
TOTAL ASSETS		**4,013,190,943**	2,812,075,925
EQUITY AND LIABILITIES			
Equity			
Issued and paid capital	16	**50,000,000**	50,000,000
Proposed increase in capital	17	**450,000,000**	-
Statutory reserve		**25,000,000**	25,000,000
Retained earnings		**1,708,935,709**	1,434,562,220
Total equity		**2,233,935,709**	1,509,562,220
Liabilities			

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

	Note	December 31, 2020	December 31, 2019
Non-current liabilities			
Liabilities for purchasing property – non-current	5	74,255,782	97,752,252
Lease liabilities- non current	7	101,534,296	119,269,254
End of service benefits provision	18	228,121,038	184,382,388
Total non-current liabilities		403,911,116	401,403,894
Current liabilities			
Accounts payable	19	226,711,828	169,304,351
Due to related parties	26	24,104,741	2,537,750
Contract liabilities	20	227,282,520	186,389,099
Accrued expenses and other liabilities	21	779,689,161	501,218,123
Zakat	28	65,690,341	-
liabilities of purchasing property – current	5	23,496,470	22,895,389
Lease liabilities- current	7	28,369,057	18,765,099
Total current liabilities		1,375,344,118	901,109,811
Total liabilities		1,779,255,234	1,302,513,705
TOTAL EQUITY AND LIABILITIES		4,013,190,943	2,812,075,925

The accompanying notes from (1) to (36) 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

AS AT DECEMBER 31, 2020

(Saudi Riyals)

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

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		372,269,477	307,181,556
Adjustments for non-cash items:			
Depreciation and amortization	5,7,8	111,611,334	86,856,721
Provision for expected credit losses	31	35,489,335	-
Loss from disposal of property and equipment		2,967	2,008,424
End of service benefits provision	18	48,600,822	38,316,848
Gains at fair value through profit or loss	10	(3,595,548)	-
Share of earnings from associates	9	(103,596)	-
Bank deposits income		(10,922,797)	(12,148,779)
Finance costs	5,7	6,188,174	4,898,047
		559,540,168	427,112,817
Working capital adjustments:			
Account receivable		(214,361,695)	(24,090,856)
Prepaid expenses and other debit balance		16,726,344	(21,351,068)
Contract assets		118,427,966	(90,614,822)
Accounts payable		43,126,123	(40,215,778)
Contract liabilities		40,649,437	(13,695,263)
Accrued expense and other liabilities		154,409,683	(16,688,679)
Due to related parties		7,671,213	-
Cash from operations		726,189,239	220,456,351
Proceeds from bank deposits income		10,013,638	9,566,164
End of service benefits paid	18	(12,682,800)	(9,623,065)
Net cash generated from operating activities		723,520,077	220,399,450
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank deposits	14	194,095,111	(140,565,085)
Cash acquired upon the acquisition of a subsidiary	1	245,672,582	-
Purchase of property, plant and equipment and intangible assets	5,8	(23,607,815)	(27,630,953)
Investments in associates		(108,960)	-
Other financial assets	10	(20,785,284)	(10,014,235)

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019
Payments for capital works in progress	6	(111,920,090)	(41,127,108)
Net cash generated from / (used in) investing activities		283,345,544	(219,337,381)
CASH FLOWS FROM FINANCING ACTIVITIES			
Component of paid-in capital from capital leases		(22,829,121)	(37,552,110)
Payment of liabilities for purchasing property		(22,895,389)	(22,309,685)
Payments to related parties		(14,521,087)	-
Finance cost paid		(4,642,421)	(4,691,388)
Dividends paid		(33,487,000)	(26,142,756)
Net cash used in financing activities		(98,375,018)	(90,695,939)
Net Increae / (decrease) in cash and cash equivalents		908,490,603	(89,633,870)
Cash and cash equivalents at the beginning of the year	15	104,827,765	194,461,635
Cash and cash equivalents at the end of the year		1,013,318,368	104,827,765
Significant non-cash transactions:			
Changes in fair value of investments at fair value through other comprehensive income	10	866,732	(1,732,887)
Re-measurement of end of service benefits provision	18	259,676	(11,659,634)
Amounts transferred from prepaid expenses and other debit balances to right-of-use assets		-	(3,485,853)
Transfer from capital work in progress to Property, plant and equipment and intangible assets	6	85,708,299	-
Finance cost		909,159	-
Movement on due to related parties account		13,895,778	-
Additions to right -of- use		7,427,586	-
Transferred from retained earnings to Proposed increase in capital		(33,332,054)	-

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY

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

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

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

1) Product Suites: Specializes in providing electronic services to the government and private sectors.

2) Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.

3) Digital delivery suite: Specializes in providing digital solutions in the field of information technology.

4) Professional services: Specializes in providing training and consultation solutions in various fields.

5) Nationalization and up skilling: Specializes in providing nationalization solutions.

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

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

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

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

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

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

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

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

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

Subsidiaries

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

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

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

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

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1- INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

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

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

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

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

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

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

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

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

2- BASIS OF PREPARATION

a) Accounting standards applied

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

b) Basis of consolidation

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

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

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

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

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

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

c) Basis of measurement

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

d) Functional and presentation currency

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

e) 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 discounted at a specified rate by referring to the returns of the financial market on the pension obligation index for a period equal to the obligation period as at the end of the report date. It requires setting important judgments when defining criteria for deriving the return, including the country risk premium, and determining amendments which are excluded.

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2- BASIS OF PREPARATION (CONTINUED)

e-2 Using assumptions and estimates

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

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

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

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 individual assets. The residual value is determined based on experience and observable data when available.

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

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

Calculation of expected credit losses provision

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

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

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

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

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

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

2- BASIS OF PREPARATION (CONTINUED)

The assumptions used to measure revenue

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

3- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

or

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

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

All liabilities are classified current when:

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

or

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

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

Fair value measurement

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

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

Business Combination process for common-controlled entities

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

Investments in associates

An associate is an entity over which the Group has significant influence but does not have control or joint

control over it. Significant influence is the Group ability to participate in the financial and operating policies decisions of the investee but has no control or joint control over those policies.

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (CONTINUED)

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

Additional losses are recognised and recorded as liabilities only to the extent that the Group has incurred

legal or constructive obligations or made payments on behalf of the associate.

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

Step (5): Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group fulfills a performance obligation and recognizes revenue over a period of time if one of the following controls is met:

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

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

Foreign currencies

Balances and foreign transactions

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

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

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

Property, plant and equipment

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

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

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

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

Intangible assets

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

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

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

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

Computer programs

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

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

Computer programs and electronic systems are amortized over 5 years.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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

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

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

Cash and cash equivalents

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

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

Dividend distribution

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Segmental reporting

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

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

Employee end of service benefits

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

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

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

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

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

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee end of service benefits (CONTINUED)

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

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

Financial instruments

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

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

Financial assets

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

Classification of financial assets

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

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

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification of financial assets (continued)

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

Amortized cost and effective interest rate method

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

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

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

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

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

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

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Equity instruments designated as at FVTOCI (continued)

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

Impairment of financial assets

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

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

Definition of default

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

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

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

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

Impairment - Financial Assets

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Measurement and recognition of expected credit losses (continued)

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Measurement and recognition of expected credit losses (continued)

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

De-recognition of financial liabilities

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

Right –of- use assets and Lease Liabilities

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

As a leasee

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

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

Initial recognition

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

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

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (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.

Zakat

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

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

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

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

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

4-2 New and amended IFRSs not yet effective

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

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

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

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5- PROPERTY, PLANT AND EQUIPMENT

	Land (A)	Buildings (A)	Information system devices	Furniture and Fix-tures	Leasehold improve-ments	Vehicles	Total
Cost							
Balance as at January 1, 2019	25,760,000	280,665,200	54,990,782	33,392,137	102,901,528	7,363,260	505,072,907
Additions during the year	-	2,088,281	14,752,557	3,036,352	2,890,271	1,413,305	24,180,766
Disposals during the year	-	-	(2,322,093)	(796,913)	-	(604,950)	(3,723,956)
Balance as at December 31, 2019	25,760,000	282,753,481	67,421,246	35,631,576	105,791,799	8,171,615	525,529,717
Cost resulting from acquisition (Note 1)	8,000,000	18,325,000	1,643,596	7,168,260	-	1,738,500	36,875,356
Additions during the year	-	31,665	20,821,379	828,189	22,500	1,023,288	22,727,021
Transfer from capital work in progress	-	-	0,687,026	1,126,571	8,010,743	-	19,824,340
Disposals during the year	-	-	(235,827)	(9,729)	-	(2,700,499)	(2,946,055)
Balance as at December 31, 2020	**33,760,000**	**301,110,146**	**100,337,420**	**44,744,867**	**113,825,042**	**8,232,904**	**602,010,379**
Accumulated Depreciation							
Balance as at January 1, 2019	-	7,130,224	41,820,484	23,308,987	51,625,212	5,350,005	129,234,912

(Saudi Riyals)

5- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land (A)	Buildings (A)	Information system devices	Furniture and Fixtures	Leasehold improvements	Vehicles	Total
Depreciation during the year	-	8,516,197	10,246,800	4,986,031	18,296,161	1,132,721	43,177,910
Disposals during the year	-	-	(876,336)	(385,676)	-	(453,520)	(1,715,532)
Balance as at December 31, 2019	-	15,646,421	51,190,948	27,909,342	69,921,373	6,029,206	170,697,290
Accumulated depreciation resulting from acquisition (Note 1)	-	6,597,000	1,468,036	3,669,249	-	658,315	12,392,600
Depreciation during the year	-	9,305,183	12,053,991	6,031,294	19,421,558	1,319,131	48,131,157
Disposals during the year	-	-	(232,858)	(9,729)	-	(2,700,498)	(2,943,085)
Balance as at December 31, 2020	**-**	**31,548,604**	**64,480,117**	**37,600,156**	**89,342,931**	**5,306,154**	**228,277,962**
Net book value:							
As at December 31,2020	**33,760,000**	**269,561,542**	**35,857,303**	**7,144,711**	**24,482,111**	**2,926,750**	**373,732,417**
As at December 31, 2019	25,760,000	267,107,060	16,230,298	7,722,234	35,870,426	2,142,409	354,832,427

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5- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The liabilities of purchasing a property consist of the following:

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

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

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

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

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

6- CAPITAL WORK IN PROGRESS

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

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

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7- RIGHT -OF- USE ASSETS

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

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

The lease liability consists of the following:

	December 31, 2020	December 31, 2019
Lease liabilities- non current	101,534,296	119,269,254
Lease liabilities- current	28,369,057	18,765,099

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

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

8- INTANGIBLE ASSETS

	December 31, 2020	December 31, 2019
Cost		
Balance at the beginning of the year	131,831,189	128,381,002
Cost resulting from acquisition (note 1)	146,459,956	-
Transferred from capital work in progress	65,883,959	-
Additions during the year	880,794	3,450,187
Cost at the end of the year	345,055,898	131,831,189
Accumulated amortization		
Balance at the beginning of the year	(113,153,937)	(94,637,489)

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8- INTANGIBLE ASSETS (CONTINUED)

	December 31, 2020	December 31, 2019
Accumulated amortization resulting from acquisition (note 1)	(123,088,743)	-
Amortization during the year	(25,834,746)	(18,516,448)
Accumulated amortization at the end of the year	(262,077,426)	(113,153,937)
Net Book Value at the end of the year	82,978,472	18,677,252

9- INVESTMENTS IN ASSOCIATES

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

9-1 Details of Associates

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

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

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

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10- OTHER FINANCIAL ASSETS

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

10-1 Financial assets at FVTPL

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

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

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

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

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10- 10.OTHER FINANCIAL ASSETS (CONTINUED)

10-2 Financial assets at FVTOCI

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

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

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

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

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

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

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

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11- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

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

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

Account receivables ageing is as follows:

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

The movement of expected credit losses is as follows:

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

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12- CONTRACT ASSETS

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

Contract assets consists of the following:

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

The movement of expected credit losses is as follows:

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

13- PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

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

14- BANK DEPOSITS

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

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15- CASH AND CASH EQUIVALENTS

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

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

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

16- ISSUED AND PAID CAPITAL

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

17- PROPOSED INCREASE IN SHARE CAPITAL

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

18- END OF SERVICES BENEFITS PROVISION

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

Employee end of service benefits provision movement in present value:

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

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18- END OF SERVICE BENEFITS PROVISION (CONTINUED)

Following are sensitivity analysis for the actuarial assumptions:

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

19- ACCOUNTS PAYABLE

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

20- CONTRACT LIABILITIES

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

21- ACCRUED EXPENSES AND OTHER LIABILITES

Accrued expenses and other liabilities are as follows:

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

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22- COST OF REVENUE

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

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

23- SELLING AND MARKETING EXPENSES

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

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

24- GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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25- OTHER INCOME AND EXPENSES

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

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

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

26- RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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26- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

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

27- SEGMENT INFORMATION

The following are the selected financial information for these sectors:

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

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27- SEGMENT INFORMATION (CONTINUED)

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

b) Information on revenue sources

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

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

28- ZAKAT

28-1 Zakat Position

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

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28-2 Zakat Base

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

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

28-3 Zakat Provision

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

29- BANK FACILITIES

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

30- CONTINGENT LIABILTIES

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

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31- RISK MANAMGMENT

a) Commission rate risk

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

b) Interest rate risk

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

c) Credit risk

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

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

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

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

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

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

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

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

(Saudi Riyals)

31- RISK MANAMGMENT (CONTINUED)

c) Credit risk (continued)

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

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

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

d) Liquidity risk

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

e) Foreign currency risk management

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

32- FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

32- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(Saudi Riyals)

32- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

33- EARNINGS PER SHARE

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

34- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

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

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Saudi Riyals)

34- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK (CONTINUED)

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

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

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

35- SUBSEQUENT EVENTS

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

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

36- APPROVAL OF THE FINANCIAL STATEMENTS

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

ELM COMPANY

A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

PREVIOUSLY KNOWN AS

(AL ELM INFORMATION SECURITY COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

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

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholder
Elm Company
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Elm Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2021, and interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six months period ended June 30, 2021 and interim condensed consolidated statements of changes in equity and cash flow for the six months then ended, and other explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard (34) "*Interim Financial Reporting*" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express as audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in Kingdom of Saudi Arabia.

Deloitte and Touche & Co,
Chartered Accountants
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Waleed Bin Mohamed Sobahi
(License No. 378)

7 Safar, 1442 AH
14 September, 2021

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2021 (Not audited)	2020 (Not audited/ Restated) "Note 26-2"	2021 (Not audited)	2020 (Not audited / Restated) "Note 26-2"
Revenue	19	1,017,791,272	422,321,389	1,791,423,221	931,726,897
Cost of revenue	19	(711,864,648)	(335,206,633)	(1,210,032,793)	(716,688,627)
Gross profit		305,926,624	87,114,756	581,390,428	215,038,270
Expenses					
Selling and marketing	15	(25,483,305)	(15,576,423)	(42,724,957)	(31,986,299)
Expected credit loss provision	23 C	(48,474,965)	-	(57,277,033)	-
General and administrative	16	(70,665,296)	(50,735,959)	(125,237,138)	(109,847,585)
Depreciation and amortization		(26,909,799)	(26,723,273)	(53,233,509)	(53,563,976)
Operating profit		134,393,259	(5,920,899)	302,917,791	19,640,410
Finance costs		(1,584,766)	(1,587,346)	(2,918,982)	(3,242,362)
Return on short-term deposits	9	1,989,185	5,149,900	4,671,296	7,983,943
Net share of Profit from associate		231,190	-	18,634	-
Fair value gains of investments through profit or loss	4	-	-	20,532,559	-
(Expenses) / Other income	17	(4,098,862)	219,910	(3,149,917)	2,271,372
Profit before Zakat		130,930,006	(2,138,435)	322,071,381	26,653,363
Zakat	20	(20,780,483)	-	(43,052,091)	-
Net profit		110,149,523	(2,138,435)	279,019,290	26,653,363
TOTAL COMPREHENSIVE INCOME		110,149,523	(2,138,435)	279,019,290	26,653,363
Earnings per share (in Saudi Riyal):					
Basic and diluted earnings per share from operating profit	22	2.69	(1.18)	6.21	3.93
Basic and diluted earnings per share from net profit	22	2.20	(0.43)	5.72	5.33

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(Saudi Riyals)

	Note	30 June 2021 (Not audited)	31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, Plant and equipment		364,877,336	373,732,417
Capital work in progress		93,126,882	108,538,021
Right-of-use assets		123,235,904	131,457,589
Intangible assets		106,302,709	82,978,472
Investments in associates	25	381,190	212,556
Other financial assets	4	70,122,569	45,444,261
Total non-current assets		758,046,590	742,363,316
Current assets			
Accounts receivable	5	1,796,538,372	1,370,495,889
Contract assets	6	539,105,595	269,127,254
Prepaid expenses and other debit balances	7	118,204,062	91,588,234
Bank deposits	9	573,536,152	537,968,184
Cash and cash equivalents	8	801,130,293	1,013,318,368
Total current assets		3,828,514,474	3,282,497,929
TOTAL ASSETS		4,586,561,064	4,024,861,245
EQUITY AND LIABILITIES			
Equity			
Paid and issued capital	10	500,000,000	50,000,000
Proposed increase in capital	11	300,000,000	450,000,000
Statutory reserve	12	25,000,000	25,000,000

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY) (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(Saudi Riyals)

	Note	30 June 2021 (Not audited)	31 December 2020 (Audited)
Other reserves	12	(35,371,085)	(35,371,085
Retained earnings		1,723,326,084	1,744,306,794
Total equity		2,512,954,999	2,233,935,709
Liabilities			
Non-current liabilities			
Liabilities for purchasing of a property – non-current		50,142,450	74,255,782
Lease liabilities – non-current		107,690,142	101,534,296
End of service benefits provision	13	241,889,129	228,121,038
Total non-current liabilities		399,721,721	403,911,116
Current liabilities			
Accounts payable		367,146,953	226,711,828
Due to related parties	18	8,246,691	24,104,741
Contract liabilities		199,513,229	227,282,520
Accrued expenses and other liabilities	14	998,253,113	791,359,463
Zakat	20	64,788,001	65,690,341
Liabilities for purchasing of a property – current		24,113,331	23,496,470
Lease liabilities- current		11,823,026	28,369,057
Total current liabilities		1,673,884,344	1,387,014,420
Total liabilities		2,073,606,065	1,790,925,536
TOTAL EQUITY AND LIABILITIES		4,586,561,064	4,024,861,245

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

(Saudi Riyals)

	Note	Paid and issued capital	Proposed increase in capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020 (Audited)		50,000,000	-	25,000,000	(36,497,493)	1,471,059,713	1,509,562,220
Net profit for the period		-	-	-	-	26,653,363	26,653,363
Comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	26,653,363	26,653,363
Book value resulting from the acquisition		-	416,667,946	-	-	-	416,667,946
Balance as at 30 June 2020 (Not audited / restated)	26-2	50,000,000	416,667,946	25,000,000	(36,497,493)	1,497,713,076	1,952,883,529
Balance as at 1 January 2021 (Audited)		**50,000,000**	**450,000,000**	**25,000,000**	**(35,371,085)**	**1,744,306,794**	**2,233,935,709**
Net profit for the period		-	-	-	-	279,019,290	279,019,290
Comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	279,019,290	279,019,290
Transferred to capital	10	450,000,000	(450,000,000)	-	-	-	-
Transferred to proposed increase in capital	11	-	300,000,000	-	-	(300,000,000)	-
Balance as at 30 June 2021 (Not audited)		**500,000,000**	**300,000,000**	**25,000,000**	**(35,371,085)**	**1,723,326,084**	**2,512,954,999**

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

(Saudi Riyals)

	30 June 2021 (Not audited)	30 June 2020 (Not audited / Restated) "note 26-2"
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before Zakat	322,071,381	26,653,363
Adjustments for non-cash items:		
Depreciation and amortization	53,233,509	53,563,976
Provision for expected credit losses	57,277,033	-
(Gain) / loss from disposal of property and equipment	(663,363)	831
End of service benefits provision	23,858,191	24,300,412
Gain of financial assets at FVPL	(20,532,559)	-
Share in profit of associate	(18,634)	-
Bank deposits income	(4,671,296)	(7,983,943)
Finance costs	2,918,982	3,242,362
	433,473,244	99,777,001
Working capital adjustments:		
Account receivable	(479,331,122)	37,215,019
Prepaid expenses and other debit balance	(16,597,754)	12,450,721
Contract assets	(273,980,209)	(61,167,980)
Accounts payable	140,435,125	(28,116,423)
Contract liabilities	(27,769,291)	32,257,738
Due to related parties	(1,962,272)	-
Accrued expense and other liabilities	207,776,362	(69,436,072)
Cash (used in) / from operations	(17,955,917)	22,980,004
Paid Zakat	(43,954,431)	-
Proceeds from bank deposits income	2,392,929	8,837,401
End of service benefits paid	(10,090,100)	(4,342,703)
Net cash (used in) / generated from operating activities	(69,607,519)	27,474,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank deposits	(35,567,968)	613,403,575

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

(Saudi Riyals)

	30 June 2021 (Not audited)	30 June 2020 (Not audited / Restated) "note 26-2"
Purchase of property, plant and equipment and tangible assets	(11,305,491)	(7,541,402)
Cash acquired upon acquisition of a subsidiary	-	245,672,583
Proceeds from disposal of property, plant and equipment	71,139	4,562
Investments in other financial assets	(4,145,749)	(4,995,494)
Payments for capital works in progress	(32,051,263)	(39,682,219)
Net cash (used in) / generated from investing activities	(82,999,332)	806,861,605
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(18,237,281)	(7,550,972)
Repayment of liabilities for purchasing property	(23,496,471)	-
Finance cost paid	(3,248,126)	(802,769)
Payments to related parties	(14,599,346)	(14,521,087)
Net cash used in financing activities	(59,581,224)	(22,874,828)
Net decrease in cash and cash equivalents	(212,188,075)	811,461,479
Cash and cash equivalents at the beginning of the period	1,013,318,368	104,827,765
Cash and cash equivalents at the end of the period	801,130,293	916,289,244
Significant non-cash transactions:		
Transfer from capital work in progress to Property, plant and equipment and intangible assets	47,462,402	-
Additions to right of use	(7,847,096)	-

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY

Elm Company (Previously known as Al Elm Information Security Company) (the "**Company**") was established in Riyadh, Kingdom of Saudi Arabia, as a Saudi Limited Liability Company on 24 Shawwal 1408 AH (corresponding to 8 June 1988). It was converted to a Single Person Saudi Closed Joint Stock Company under the Royal Decree Number (M/90) dated 3 Dhul-Qa'dah 1428 AH (corresponding to 13 November 2007), and registered under commercial registration number 1010069210. The Company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia. According to the company's article of association, the board of directors consists of seven members appointed by the Public Investment Fund, of whom four members are nominated by the Ministry of Interior. The registered address of the Company is Ath Thaghr street – An Nakheel 6614, Raidah Digital City, Riyadh, Saudi Arabia.

The name of the company was changed on 5 January 2021 from Al Elm Information Security Company to Elm Company, according to the decision issued during the extraordinary assembly meeting dated 10 November 2020.

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

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

1) Product Suits: Specializes in providing electronic services to the government and private sectors.

2) Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.

3) Digital delivery suite: Specializes in providing digital solutions in the field of information technology.

4) Professional services: Specializes in providing training and consultation solutions in various fields.

5) Nationalization and up skilling: Specializes in providing nationalization solutions.

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

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

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

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

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

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

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

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

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

Subsidiaries

The Company have incorporated Emdad Al Khebrat Company Limited, a Limited Liability Company registered under commercial registration number 1010414975 on 22 Rajab1435 AH (corresponding to 21 May 2014). The Company is wholly owned by Elm Company and it is headquartered in Riyadh. The principal activity of Emdad Al Khebrat Company is to manage call centers, service centers and to provide consultation services in the field of electronic business, operation and maintenance, import, export and sale of devices, hardware, software, systems and workforce development.

The Company have incorporated Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010599252 on 16 Safar1441 AH (corresponding to 15 October 2019). Which is wholly owned by Elm Company and it is headquartered in Riyadh. The principal activity of the Company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores.

The Company have incorporated Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on 8 Rabi Al Awal 1441 AH (corresponding to 5 November 2019). The Company is headquartered in Riyadh and is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The principal activity of the Company is in financial services, experienced consultancy activities in the field of management and computer programming.

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

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

During 2020, the Company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the Company) to purchase 100% of the share capital of Saudi Company for Knowledge Exchange ("Tabadul") with all its rights and obligations and as per agreement, the economic rights and obligations is calculated beginning from 1 January 2020 with a book value of SR 450,154,946 minus earnings payable for 2019 with an amount of SR 33,487,000.The Saudi Electronic Information Exchange Company "Tabadul", a closed Saudi joint stock Company, was established under Royal Decree No. M / 39 of 7 Rajab 1430 AH corresponding to 31 December 2009, and registered under Commercial Registry No. 1010274503, and its head office is located in Riyadh. It operates in the IT sectors, Communications, installation, maintenance, support and support of communications and information technology programs, systems and applications. As well as owning, establishing, developing, operating and managing communication and information technology facilities and participating in the development, establishment, operation, maintenance and management of technical areas.

The Company and its subsidiaries mentioned above are referred to collectively as the "Group" in these interim condensed consolidated financial statements.

Elm Digital Payment Company Limited

On 7 June 2021 the company canceled the commercial registration of Elm Digital Payments Company Limited, which is a one-person limited liability company registered with Commercial Registration No. 1010619996, while the Company has not commenced its business operations.

2- BASIS OF PREPARATION

a) Accounting standards applied

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") in the Kingdom of Saudi Arabia, and the other standards and pronouncements that are issued by SOCPA. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as endorsed by SOCPA and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. In addition, the results for the interim period of three months and six months ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

b) Basis of consolidation

The accompanying interim condensed consolidated financial statements include the financial statements of Elm Company and its subsidiaries ("collectively referred to as the Group").

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

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

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2- BASIS OF PREPARATION (CONTINUED)

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

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

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

c) Basis of measurement

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

d) Functional and presentation currency

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

e) Use of assumptions and estimates

The preparation of the interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the interim condensed 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.

3- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these interim condensed consolidated financial statements are the same policies used in preparing the consolidated financial statements for the year ended 31 December 2020.

New and amended International Financial Reporting Standards ("IFRSs") Standards and Interpretations

The following amended IFRSs have been adopted by the Group beginning from 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16): These amendments introduce temporary exemptions that address the impacts on the financial report when reforming the current benchmark interest rate with an alternative nearly risk-free interest rate. The adjustments include the following practical means:
  - A practical method that requires considering contractual changes or changes in cash flows, which are required by direct reform, as changes in the variable interest rate, equivalent to the movement in the interest rate prevailing in the market.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- It allows the changes required by interest rate reform between banks to cover the allocated risks and document coverage without interruption of the hedging instrument.
- Provides a temporary exemption for enterprises from the necessity to meet requirements that can be separately identified when an instrument is allocated at a risk-free interest rate as a coverage for the risk component.

These amendments did not have any impact on the Group's interim condensed consolidated financial statements.

IFRSs in issue but not yet effective

The Group has not early adopted the following new or amended standards when preparing these interim condensed consolidated financial statements and it is expected that these standards may have no material impact on future periods:

New and amended IFRSs	Effective for annual periods beginning on or after
Provisions, Contingent Liabilities, and Contingent Assets (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Cycle 2018–2020	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Insurance Contracts (Amendments to IFRS 17)	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2022

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

4- OTHER FINANCIAL ASSETS

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Financial assets at FVPL		
Prepayment for future ownership rights		
Foodics Company (a)	-	6,248,385
Zid Company (b)	-	4,923,322
National Solution Company	**5,758,610**	5,758,610
Sahal Almadar Company	**6,210,221**	6,210,221
	11,968,831	23,140,538
Financial assets at FVOCI		

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4- OTHER FINANCIAL ASSETS (CONTINUED)

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Unquoted equity investments		
Unifonic Company	10,108,716	10,108,716
Sayarah Company	10,566,851	10,566,851
Foodics Company (a)	6,248,385	-
Zid Company (b)	29,206,781	-
Bayzat Company	1,057,577	662,728
Healthfyme Company	965,428	965,428
	58,153,738	22,303,723
	70,122,569	45,444,261

a) During the first quarter of 2021, the Group signed an agreement to convert the future ownership right into shares in Foodics. The group acquired 134,824 shares, representing 1.68% of the total shares of the Company.

b) On 14 April 2021, the Group signed an agreement to convert the future ownership right into shares in Zid Company amounting SR 3.7 million. In addition, the same agreement provides for the transfer of the amount of the future right to own shares in Zed Company into shares, and The Group has re-evaluated the future ownership right shares, and this resulted in gains through the profit or loss statement as illustrated below:

	Fair value hierarchy	
As of 1 January 2021		4,923,322
Gains of reevaluating investments through profit or loss	Level 3 input	20,532,559
Additional investment		3,750,900
		29,206,781

Accordingly, the valuation of the investment in Zed and Foodics in the future will be at fair value through other comprehensive income, rather than through the statement of profit or loss.

5- ACCOUNTS RECEIVABLES

Accounts receivables consists of:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Government receivables	1,454,899,176	1,079,622,741
Trade receivables	579,473,730	475,419,043
	2,034,372,906	1,555,041,784
Provision for expected credit losses	(237,834,534)	(184,545,895)
	1,796,538,372	1,370,495,889

(Saudi Riyals)

5- ACCOUNTS RECEIVABLES (CONTINUED)

The movement in provision for expected credit losses as follows:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Opening balance for the period / year	184,545,895	174,521,121
Resulting from acquisition	-	1,979,093
Provision for the period / year	53,288,639	8,045,681
Ending balance for the period / year	237,834,534	184,545,895

6- CONTRACT ASSESTS

Contract assets represent revenues earned from services performed by the Group that were not invoiced to customers until the date of the interim condensed consolidated financial statements, and these revenues will be invoiced during subsequent periods.

Contract assets consists of the following:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Government receivables	553,088,291	303,722,143
Trade receivables	50,072,762	25,458,701
	603,161,053	329,180,844
Provision for expected credit losses	(64,055,458)	(60,053,590)
	539,105,595	269,127,254

The movement for provision for expected credit losses as follows:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Opening balance for the period/ year	60,053,590	33,306,711
Provision for the period/ year	4,001,868	26,746,879
Ending balance for the period / year	64,055,458	60,053,590

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7- PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Deferred costs	52,300,785	24,330,173
VAT	17,804,519	11,670,302
Employees receivables	16,901,461	19,184,194
Prepaid rent and insurance	13,693,166	30,179,661
Suppliers prepayments	4,624,442	3,731,988
Accrued interest revenue	2,775,932	909,159
Others	10,103,757	1,582,757
	118,204,062	91,588,234

8- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Cash at banks	509,093,849	247,918,068
Short-term Murabaha deposits (a)	292,036,444	765,400,300
	801,130,293	1,013,318,368

a) The balance of short-term Murabaha deposits consists of short-term deposits of one to three months.

9- BANK DEPOSITS

Bank deposits balance consists of deposits with maturity date of more than three months.

During the period, Group had an average commission rate of 1.13%, and have recognized a deposit income of SR 4.7 million in the interim condensed consolidated statement of profit or loss for the period ended in 30 June 2021 (30 June 2020: SR 8.0 million).

10- PAID AND ISSUED CAPITAL

Issued and fully paid capital consists of 50,000,000 ordinary shares with a nominal value of 10 Saudi riyals per share. (2020: 5,000,000 ordinary shares with a nominal value of 10 riyals per share)

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11- PROPOSED CAPITAL INCREASE

On 20 June 2021, the assembly approved an increase in the Company's capital by SR 300,000,000 through transferring it from the retained earnings by issuing 30,000,000 shares with a nominal value of SR 10.

During 2020, the general assembly has agreed on increasing the share capital of the Company with an amount of SR 450,000,000 through transferring an amount of SR 33,332,054 from retained earnings and an amount of SR 416,667,946 as a result of the acquisition of Tabadul (Note 1) through issuing 45,000,000 ordinary shares. During the first quarter of 2021, the Company issued an additional 45,000,000 shares with a nominal value of 10 riyals, thus the issued and fully paid-up capital consisted of 50,000,000 shares with a nominal value of 10 Saudi riyals per share.

12- RESERVES

a) Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's article of association, the Group has established a statutory reserve by the appropriation of 10% of annual net income until the reserve equal 30% of the share capital. This reserve is not available for distribution. The transfer to the statutory reserve is made once per year based on the 31 December annual audited results.

b) Other reserves

Other reserves consist of employees' end-of-service benefits provision remeasurement in addition to re-evaluation reserve of investments through other comprehensive income. There was no movement on these balances during the reporting period.

13- END OF SERVICE BENEFITS PROVISION

End of service benefits provision movement as follows:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Opening balance	228,121,038	184,382,388
Cost resulted from acquisition	-	8,080,303
Current service costs	21,667,963	42,669,687
Current service financing cost	2,409,354	6,859,155
Cost transferred to capital work in progress	(219,126)	(928,020)
Benefits paid	(10,090,100)	(12,682,800)
Actuarial gains / (losses) arising from liability	-	(259,675)
Ending balance	241,889,129	228,121,038

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14- ACCRUED EXPENSES AND OTHER LIABILITIES

Accrues expenses and other liabilities consists of the following:

	30 June 2021 (Not audited)	31 December 2020 (Audited)
Contractual costs	408,517,796	337,262,446
Income-sharing projects	276,109,164	121,158,477
Employee benefits	160,639,217	187,541,074
Advances from customers	92,760,241	88,794,120
Sales and marketing commissions	26,814,547	23,614,159
Legal provision	15,851,258	15,851,258
Suppliers retention	9,445,713	10,346,427
Others	8,115,177	6,791,502
	998,253,113	791,359,463

15- SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the period ended 30 June is as follows:

	2021 (Not audited)	2020 (Not audited / Restated) "note 26-2"
Salaries and employee benefits	36,707,851	21,317,549
Sadad service expenses	3,156,297	2,119,805
Public relations	1,796,565	2,709,937
Advertising and exhibitions	617,597	5,404,013
Other expenses	446,647	434,995
	42,724,957	31,986,299

(Saudi Riyals)

16- GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period ended 30 June is as follows:

	2021 (Not audited)	2020 (Not audited / Restated) "note 26-2"
Salaries and employee benefits	98,088,984	81,444,031
Consulting and professional services	10,165,555	10,041,045
Memberships and subscriptions	3,277,723	1,464,278
Contractor expenses	3,167,850	2,334,442
Hospitality and activities	2,660,685	5,843,424
Utilities and communications	1,731,797	2,005,569
Repair and maintenance expenses	523,869	918,486
Other expenses	5,620,675	5,796,310
	125,237,138	109,847,585

17- (EXPENSES) / OTHER INCOME

(Expenses) / Other income for the period ended June 30 consists of the following:

	2021 (Not audited)	2020 (Not audited / Restated) "note 26-2"
Donations	(5,000,000)	-
Funds received from Human Resources Development Fund to support Saudization	1,692,461	1,841,672
Others	157,622	429,700
	(3,149,917)	2,271,372

18- RELATED PARTY TRANSACTIONS AND BALANCES

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

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18- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Below are the details of the significant transactions with related parties during the period ended June 30:

	2021	2020
	(Not audited)	(Not audited/ Restated) "note 26-2"
Transactions with the shareholder		
Service revenue	18,153,426	12,796,511
Transaction with board of directors and senior executive management		
Salaries and benefit	13,501,024	9,302,872
Remunerations and allowances	9,917,102	7,887,625
End of service benefits	1,780,993	616,824

	30 June 2021	31 December 2020
	(Not audited)	(Audited)
Balances:		
Due from related parties included in trade receivable for service revenue	40,399,145	24,289,551
Due to related parties		
Loan from Public Investment Fund	-	13,895,778
Unifonic Company	5,488,019	8,092,751
Smart National Solution Company	772,172	129,712
Dividends payable	1,986,500	1,986,500
	8,246,691	24,104,741

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19- SEGMENT INFORMATION

Below is the selected financial data for the Group's segments

For the period ended 30 June 2021 (Not audited)	Product suits	Business process out-sourcing	Digital delivery suite	Professional services	National-ization and upskilling	Total
Revenues	949,192,753	558,952,400	106,988,583	48,713,252	127,576,233	1,791,423,221
Employee Costs	(213,459,669)	(226,201,470)	(37,447,420)	(35,964,265)	(33,085,215)	(546,158,039)
Direct costs	(320,560,845)	(198,376,949)	(68,313,481)	(16,660,795)	(59,962,684)	(663,874,754)
Gross profit / (loss)	415,172,239	134,373,981	1,227,682	(3,911,808)	34,528,334	581,390,428
Profit (loss) margin	44%	24%	1%	(8%)	27%	32%
Total assets	2,430,207,710	1,431,079,649	273,921,686	124,720,000	326,632,019	4,586,561,064
Total liabilities	1,098,708,461	646,997,914	123,841,297	56,386,505	147,671,888	2,073,606,065
For the period ended 30 June 2020 (Not audited / Restated) "note 26-2)"	**Product suits**	**Business process out-sourcing**	**Digital delivery suite**	**Professional services**	**National-ization and upskilling**	**Total**
Revenues	623,033,760	144,891,336	79,094,240	52,607,342	32,100,219	931,726,897
Employee costs	(179,515,734)	(159,806,715)	(49,864,872)	(38,809,658)	(6,389,669)	(434,386,648)
Direct costs	(172,237,222)	(43,198,998)	(42,202,656)	(10,468,192)	(14,194,911)	(282,301,979)
Gross profit / (loss)	271,280,804	(58,114,377)	(12,973,288)	3,329,492	11,515,639	215,038,270
Profit (loss) margin	44%	(40%)	(16%)	6%	36%	23%
Total assets	2,288,324,340	532,167,584	290,503,157	193,220,125	117,900,052	3,422,115,258
Total liabilities	982,456,309	228,477,839	124,722,993	82,956,042	50,618,546	1,469,231,729

20- ZAKAT

The Group filed zakat returns and received for it a letter from Zakat, Tax and Custom Authority for the year ended 31 December 2020, which ends on 30 April 2021. The Group has not received any zakat assessments for the previous years until 31 December 2020.

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20- ZAKAT (CONTINUED)

Zakat provision

	30 June 2021	31 December 2020
	(Not audited)	(Audited)
Balance at the beginning of the period / year	65,690,341	-
Charge during the period / year	43,052,091	65,690,341
Paid during the period / year	(43,954,431)	-
Balance at the end of the period / year	64,788,001	65,690,341

21- CONTINGENT LIABILTIES

The Group has outstanding bank guarantee letters amounting to SR 25.8 million as of 30 June 2021. (31 December 2020: SR 66.7 million).

22- EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following information:

	30 June 2021 (Not audited)	30 June 2020 (Not audited / Restated) "note 26-2"
Operating profit for the period	302,917,791	19,640,410
Net profit for the period	279,019,290	26,653,363
Number of shares		
Weighted average number of shares for basic and diluted earnings per share (a)	48,750,000	5,000,000
Earnings pers share Based on profit for the period attributable to the shareholder of the Company (SR)		
From operating profit	6.21	3.93
From Net income	5.72	5.33

a) During the first quarter of 2021, the Company issued an additional 45,000,000 shares. The total number of Company shares as of 30 June 2021 is 50,000,000 shares (31 March 2020: 5,000,000 shares). Accordingly, the weighted average was calculated, and the weighted average number of shares during the period is the number of shares at the beginning of the period, adjusted for the number of ordinary shares issued during the period multiplied by the number of days in which the shares are outstanding as a percentage of the total number of days of the period.

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23- RISK MANAMGMENT

a) Interest rate risk

Interest rate risk represents 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 Group's interest rate risks arise from bank deposits, short-term bank debts and long-term debts with 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.

b) Liquidity risk

Liquidity risk represents the Group's 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.

c) Credit risk

Credit risk represents 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 its customers.

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

	30 June 2021 (Not audited)	30 June 2020 (Not audited / Restat-ed) "note 26-2"
Account receivable (note 5)	53,288,639	
Contract assets (note 6)	4,001,868	
Reversal of employee receivable provision	(13,474)	
	57,277,033	

d) 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 any significant risk of fluctuating exchange rates at the period end. The management does not expect that the Group will undergo any significant transactions in the future related to these risks.

24- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value at which an asset is exchanged, or a liability settled, between willing parties with fair terms of deal.

The Group's financial assets consist of bank balances, receivables and investments. While the financial liabilities consist of accounts payable, due to related parties and lease liabilities. The fair value of financial instruments is not materially different from their carrying value.

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

25- ASSOCIATE COMPANIES

Name of associate	Percentage of ownership	
	30 June 2021	31 December 2020
National Solution Company	30%	30%
Sahal Almadar Company	24%	24%
Al Dal Real Estate Services Company (a)	30%	-

a) The Company has established Al Dal Real Estate Services Company, a Limited Liability Company registered under commercial registration number 1010680496 on 29 Jumada Alawwal 1442 AH (corresponding to 13 January 2021). The Company is headquartered in Riyadh. The principal activity of the Company is auctioneers and auctioneers for all commodities, wholesale via the Internet, residential home auctions activities, non-store auctions, brokerage agents' activities, real estate management activities in exchange for commission, providing marketing services on behalf of others. The Company owns a share of 30%. The Company has not yet commenced its business operations.

26- COMPARTIVE FIGURES

26-1 Reclassification

Certain comparative year figures have been reclassified to agree with the current period presentation of the interim condensed consolidated financial statements.

During the period ended 30 June 2021, the Group reclassified certain equity items by reclassifying reserves the resulted from remeasurement of defined employee benefit obligations and investments through other comprehensive income, reserve has been reclassified from retained earnings to other reserves to improve financial statement presentation. Below are the details:

As at 31 December 2020	Amounts previously reported	Reclassification	Amounts after reclassification
Other reserves	-	(35,371,085)	(35,371,085)
Retained earnings	1,708,935,709	35,371,085	1,744,306,794

The reclassification had no effect on the Group's net assets.

26-2 Restatement

On 2 August 2020, the Company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the Company) to purchase all of the share capital of Tabadul with all its rights and obligations and as per agreement, the economic rights and obligations is calculated beginning from 1 January 2020.

Given this acquisition is a common control transaction and is outside the scope of IFRS 3, the Group has adopted an accounting policy in its financial statements for the year ended 31 December 2020 to include the results of Tabadul's business operations for the period in which the transfer occurs, as if the transfer of equity for Tabadul has occurred from the beginning of the period (i.e. from 1 January 2020). Accordingly, the comparative figures for the period ended 30 June 2020 included in these interim condensed consolidated financial statements have been restated to reflect this acquisition beginning from 1 January 2020.

26- COMPARTIVE FIGURES (CONTINUED)

The tables below show the impact on the restated interim condensed consolidated financial statements:

26-2-A Interim condensed consolidated statement of profit or loss for the three months period ended 30 June 2020:

	Amounts previously reported	Restatement	Amounts after restatement
Revenue	361,899,087	60,422,302	422,321,389
Cost of revenue	(291,501,864)	(43,704,769)	(335,206,633)
Gross profit	**70,397,223**	**16,717,533**	**87,114,756**
Expenses			
Selling and marketing	(13,606,773)	(1,969,650)	(15,576,423)
General and administrative	(37,135,289)	(13,600,670)	(50,735,959)
Depreciation and amortization	(23,483,507)	(3,239,766)	(26,723,273)
Operating profit	**(3,828,346)**	**(2,092,553)**	**(5,920,899)**
Finance cost	(1,281,422)	(305,924)	(1,587,346)
Return on short-term deposits	2,233,136	2,916,764	5,149,900
Other income / (expenses)	1,889,960	(1,670,050)	219,910
Net profit	**(986,672)**	**(1,151,763)**	**(2,138,435)**
Earnings per share (Saudi Riyal)			
Basic and diluted earnings per share from operating profit	(0.77)	(0.42)	(1.18)
Basic and diluted earnings per share from net profit	(0.20)	(0.23)	(0.43)

26-2-B Interim condensed consolidated statement of profit or loss for the six months period ended 30 June 2020:

	Amounts previously reported	Restatement	Amounts after restatement
Revenue	801,728,826	129,998,071	931,726,897
Cost of revenue	(632,684,594)	(84,004,033)	(716,688,627)
Gross profit	169,044,232	45,994,038	215,038,270
Expenses			
Selling and marketing	(29,473,676)	(2,512,623)	(31,986,299)
General and administrative	(83,810,884)	(26,036,701)	(109,847,585)
Depreciation and amortization	(47,120,917)	(6,443,059)	(53,563,976)

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

26- COMPARTIVE FIGURES (CONTINUED)

	Amounts previously reported	Restatement	Amounts after restatement
Operating profit	8,638,755	11,001,655	19,640,410
Finance cost	(2,630,515)	(611,847)	(3,242,362)
Return on short-term deposits	5,067,179	2,916,764	7,983,943
Other income / (expenses)	2,201,372	70,000	2,271,372
Net profit	13,276,791	13,376,572	26,653,363
Earnings per share (Saudi Riyal)			
Basic and diluted earnings per share from operating profit	1.73	2.20	3.93
Basic and diluted earnings per share from net profit	2.66	2.68	5.33

26-2-B Interim condensed consolidated statement of financial position as at 30 June 2020:

	Amounts previously reported	Restatement	Amounts after restatement
ASSETS			
Non-current assets			
Property, Plant and equipment	346,374,586	24,392,883	370,767,469
Capital work in progress	54,276,039	53,332,885	107,608,924
Right-of-use assets	136,273,621	6,585,317	142,858,938
Intangible assets	18,236,896	19,547,332	37,784,228
Other financial assets	21,436,991	3,755,200	25,192,191
Total non-current assets	576,598,133	107,613,617	684,211,750
Current assets			
Accounts receivable	1,044,389,270	82,575,588	1,126,964,858
Contract assets	475,470,079	-	475,470,079
Prepaid expenses and other debit balances	79,201,442	21,318,165	100,519,607
Other financial assets	3,755,200	(3,755,200)	-
Bank deposits	118,659,720	-	118,659,720
Cash and cash equivalent	445,339,287	470,949,957	916,289,244
Total current assets	2,166,814,998	571.088.510	2,737,903,508
TOTAL ASSETS	2,743,413,131	678.702.127	3,422,115,258

(Saudi Riyals)

26- COMPARTIVE FIGURES (CONTINUED)

	Amounts previously reported	Restatement	Amounts after restatement
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	50,000,000	-	50,000,000
Additional capital proposed	-	416,667,946	416,667,946
Statutory reserve	25,000,000	-	25,000,000
Other reserves	-	(36,497,493)	(36,497,493)
Retained earnings	1,447,839,011	49,874,065	1,497,713,076
Total equity	1,522,839,011	430,044,518	1,952,883,529
Liabilities			
Non-current liabilities			
Due to related parties – non-current	-	12,672,084	12,672,084
Liabilities for purchasing property – non-current	74,255,782	-	74,255,782
Lease liabilities- non current	119,269,254	4,778,197	124,047,451
End of service benefits provision	203,635,195	8,785,203	212,420,398
Total non-current liabilities	397,160,231	26,235,484	423,395,715
Current liabilities			
Accounts payable	146,052,148	9,968,383	156,020,531
Due to related parties	-	34,098,847	34,098,847
Contract liabilities	218,646,837	-	218,646,837
Accrued expenses and other liabilities	401,108,918	175,940,632	577,049,550
Liabilities of purchasing property – current	46,391,859	-	46,391,859
Lease liabilities- current	11,214,127	2,414,263	13,628,390
Total current liabilities	823,413,889	222,422,125	1,045,836,014
Total liabilities	1,220,574,120	248,657,609	1,469,231,729
TOTAL EQUITY AND LIABILITIES	2,743,413,131	678,702,127	3,422,115,258

ELM COMPANY

(PREVIOUSLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021

(Saudi Riyals)

26- COMPARTIVE FIGURES (CONTINUED)

26-2-C Interim condensed consolidated cash flow statement as of 30 June 2020:

	Amounts previously reported	Restatement	Amounts after restatement
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before Zakat	13,276,791	13,376,572	26,653,363
Adjustments for non-cash items:			
Depreciation and amortization	47,120,918	6,443,058	53,563,976
Loss from disposal of property and equipment	5,393	(4,562)	831
End of service benefits provision	22,721,191	1,579,221	24,300,412
Bank deposits income	(5,067,179)	(2,916,764)	(7,983,943)
Finance costs	2,630,515	611,847	3,242,362
	80,687,629	19,089,372	99,777,001
Working capital adjustments:			
Account receivable	71,711,542	(34,496,523)	37,215,019
Prepaid expenses and other debit balance	17,135,901	(4,685,180)	12,450,721
Contract assets	(61,167,980)	-	(61,167,980)
Accounts payable	(23,803,453)	(4,312,970)	(28,116,423)
Contract liabilities	32,257,738	-	32,257,738
Accrued expense and other liabilities	(102,095,705)	32,659,633	(69,436,072)
Cash (used in) / from operations	14,725,672	8,254,332	22,980,004
Proceeds from bank deposits income	5,920,637	2,916,764	8,837,401
End of service benefits paid	(3,468,384)	(874,319)	(4,342,703)
Net cash generated from operating activities	17,177,925	10,296,777	27,474,702
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank deposits	363,403,575	250,000,000	613,403,575
Purchase of property, plant and equipment and tangible assets	(6,217,715)	(1,323,687)	(7,541,402)
Cash acquired upon acquisition of a subsidiary	-	245,672,583	245,672,583
Proceeds from disposal of property, plant and equipment	-	4,562	4,562
Investments in other financial assets	(4,995,494)	-	(4,995,494)
Payments for capital works in progress	(20,503,028)	(19,179,191)	(39,682,219)
Net cash generated from investing activities	331,687,338	475,174,267	806,861,605
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities for purchasing property	(7,550,972)	-	(7,550,972)
Finance cost paid	(802,769)	-	(802,769)

(Saudi Riyals)

26- COMPARTIVE FIGURES (CONTINUED)

	Amounts previously reported	Restatement	Amounts after restatement
Payments to related parties	-	(14,521,087)	(14,521,087)
Net cash used in financing activities	(8,353,741)	(14,521,087)	(22,874,828)
Net decrease in cash and cash equivalents	340,511,522	470,949,957	811,461,479
Cash and cash equivalents at the beginning of the period	104,827,765	-	104,827,765
Cash and cash equivalents at the end of the period	445,339,287	470,949,957	916,289,244

27- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

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

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

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

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

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

28- SUBSEQUENT EVENTS

On 1 July 2021, the Company completed the process of issuing an additional 30,000,000 shares with a nominal value of SR 10 per share, in accordance with the resolution of the assembly issued on 20 June 2021. Thus, the paid and issued capital consists of 80,000,000 shares with a nominal value of SR 10 per share.

29- APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the audit committee on 24 Muharram 1443 AH (corresponding to 1 September 2021)

ELM COMPANY

(A SINGLE PERSON SAUDI CLOSED JOINT-STOCK COMPANY)

FORMERLY KNOWN AS

"Al ELM INFORMATION SECURITY COMPANY"

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021

AND INDEPENDENT AUDITOR'S REVIEW REPORT

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of
Elm Compny
"A Saudi Closed Joint Stock Company"
Riyadh – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Elm Company** ("the Company") and its subsidiaries (together "the Group") as of 30 September 2021 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine months period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statement in accordance with International Accounting Standard 34 – ("IAS 34") "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor*" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to the attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with IAS (34) endorsed in the Kingdom of Saudi Arabia.

Other Matter

The interim condensed consolidated financial statements for the Group for three and nine months ended on September 30, 2020 were reviewed by another auditor, and an unmodified report was issued on 08 August 2021. The Group's consolidated financial statements for the fiscal year ending on 31 December 2020, were also reviewed by another auditor, and an unmodified report was issued on those consolidated financial statements on 08 April, 2021.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت : ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on 09 Jumada 'I 1443 (H)
Corresponding to 13 December 2021 (G)

ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COM-PREHNSIVE INCOME

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

	Note	For the three months period ended September 30		For the nine months period ended September 30	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	19	966,780,802	615,918,510	2,758,204,023	1,547,645,407
Cost of revenue	19	(639,464,402)	(368,991,456)	(1,849,497,195)	(1,085,680,084)
Gross profit		327,316,400	246,927,054	908,706,828	461,965,323
Expenses					
General and administrative	15	(68,980,746)	(54,871,355)	(194,217,884)	(164,815,872)
Selling and marketing	16	(26,206,046)	(20,150,077)	(68,930,997)	(52,136,376)
Depreciation and amortization		(30,466,840)	(27,771,092)	(83,700,349)	(81,335,071)
Expected Credit Losses	23-C	(5,355,847)	-	(62,632,880)	-
Operating profit		196,306,921	144,134,530	499,224,718	163,678,004
Return on short-term deposits	9	2,172,737	1,257,473	6,844,033	9,241,590
Share in result of investment in associates	25	541,161	-	559,795	-
Gains on Financial Assets Measured at (FVTPL)	4-B & 4-C	326,498	-	20,859,057	-
Finance costs		(947,759)	(1,603,263)	(3,866,741)	(4,845,625)
Other (expenses) / income, net	17	37,642	4,197,856	(3,112,275)	6,469,065
Profit before zakat for the period		198,437,200	147,986,596	520,508,587	174,543,034
Zakat	20	(20,833,233)	-	(63,885,324)	-
Net Profit for the period		177,603,967	147,986,596	456,623,263	174,543,034
Other Comprehensive Income for the period					
Items that will not be reclassified subsequently to profit and loss:					
Re-Measurement of End of service benefits provision		-	-	-	-
Total comprehensive income for the period		177,603,967	147,986,596	456,623,263	174,543,034
Earnings per share (in Saudi Riyal):					
Basic and diluted earnings per share from operating profit	22	2.45	1.80	6,24	2.05
Basic and diluted earnings per share from net profit	22	2.22	1.85	5.71	2,18

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

(Saudi Riyals)

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		355,192,116	373,732,417
Capital work in progress		71,555,589	108,538,021
Intangible assets		135,745,773	82,978,472
Right-of-use assets		115,521,301	131,457,589
Other financial assets	4	100,117,987	45,444,261
Investment in associates	25	922,351	212,556
Total non-current assets		779,055,117	742,363,316
Current assets			
Accounts receivable	5	1,906,494,968	1,370,495,889
Contract assets	6	866,806,342	269,127,254
Bank deposits	9	447,638,601	537,968,184
Other financial assets	4	350,326,498	-
Prepaid expenses and other debit balances	7	143,496,261	91,588,234
Cash and cash equivalents	8	457,318,121	1,013,318,368
Total current assets		4,172,080,791	3,282,497,929
TOTAL ASSETS		4,951,135,908	4,024,861,245
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	10	800,000,000	50,000,000
Proposed increase in capital	11	-	450,000,000
Statutory reserve	12	25,000,000	25,000,000

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FORMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT SEPTEMBER 30, 2021

(Saudi Riyals)

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Other reserves	12	(35,371,085)	(35,371,085)
Retained earnings		1,900,930,057	1,744,306,794
Total equity		2,690,558,972	2,233,935,709
Liabilities			
Non-current liabilities			
End of service benefits provision	13	246,484,428	228,121,038
Lease liabilities – non-current		107,987,906	101,534,296
Liabilities for purchasing property – non-current		50,142,450	74,255,782
Total non-current liabilities		404,614,784	403,911,116
Current liabilities			
Accrued expenses and other liabilities	14	1,090,506,357	791,359,463
Accounts payable		393,184,736	226,711,828
Contract liabilities		241,104,867	227,282,520
Zakat	20	85,621,234	65,690,341
Liabilities for purchasing property – current		24,113,331	23,496,470
Due to related parties	18	19,423,079	24,104,741
Lease liabilities - current		2,008,548	28,369,057
Total current liabilities		1,855,962,152	1,387,014,420
Total liabilities		2,260,576,936	1,790,925,536
TOTAL EQUITY AND LIABILITIES		4,951,135,908	4,024,861,245

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

	Notes	Issued and paid up capital	Proposed increase in capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2020 (Audited)		50,000,000	-	25,000,000	(36,497,493)	1,471,059,713	1,509,562,220
Net profit for the period		-	-	-	-	174,543,034	174,543,034
Other comprehensive income		-	-	-	-	-	-
Total comprehensive period income for the period		-	-	-	-	174,543,034	174,543,034
Book value resulted from acquisition		-	416,667,946	-	-	-	416,667,946
Balance as at September 30, 2020 (Unaudited)		50,000,000	416,667,946	25,000,000	(36,497,493)	1,645,602,747	2,100,773,200
Balance as at January 1, 2021 (Audited)		50,000,000	450,000,000	25,000,000	(35,371,085)	1,744,306,794	2,233,935,709
Net profit for the period		-	-	-	-	456,623,263	456,623,263
Other comprehensive income		-	-	-	-	-	-
Total comprehensive period income for the period		-	-	-	-	456,623,263	456,623,263
Transferred to proposed increase in capital	11	-	300,000,000	-	-	(300,000,000)	-
Transferred to capital	10	750,000,000	(750,000,000)	-	-	-	-
Balance as at September 30, 2021 (Unaudited)		800,000,000	-	25,000,000	(35,371,085)	1,900,930,057	2,690,558,972

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat for the period	520,508,587	174,543,034
Adjustments for non-cash items:		
Depreciation and amortization	83,700,349	81,335,071
Expected credit loss	62,632,880	-
(Gain) / loss from disposal of property, plant and equipment	(663,363)	831
End of service benefits provision	35,820,069	36,450,618
Gains on Financial Assets Measured at FVTPL	(20,859,057)	-
Share in result of investment in associates	(559,795)	-
Bank deposits income	(6,844,033)	(9,241,590)
Finance costs	3,866,741	4,845,625
	677,602,378	287,933,589
Working capital adjustments:		
Accounts receivable	(594,039,845)	(183,665,022)
Prepaid expenses and other debit balance	(41,268,130)	11,438,577
Contract assets	(602,284,676)	(73,995,820)
Accounts payable	166,472,907	10,478,554
Contract liabilities	13,822,347	65,821,247
Due to related parties	9,214,116	1,455,300
Accrued expenses and other liabilities	300,179,602	(36,116,958)
Cash (used in) / generated operations	(70,301,301)	83,349,467
Zakat paid	(43,954,431)	-
Proceeds from bank deposits income	3,943,840	6,679,875
End of service benefits paid	(17,456,679)	(7,646,720)
Net cash (used in) / generated from operating activities	(127,768,571)	82,382,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank deposits	90,329,583	613,403,575
Purchase of property, plant and equipment and intangible assets	(20,512,789)	(14,845,639)
Cash acquired due to acquisition of subsidiary	-	245,672,583
Proceeds from sales of property, plant and equipment	71,127	2,140

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Investment in associates	(150,000)	(60,000)
Other financial assets	(384,141,167)	(15,934,242)
Payments for capital works in progress	(43,385,723)	(55,537,230)
Net cash (used in) / generated from investing activities	(357,788,969)	772,701,187
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities for purchasing property	(28,151,006)	(16,753,563)
Repayment of lease liabilities	(23,496,471)	-
Finance cost paid	(4,195,884)	(802,768)
Payments to related parties	(14,599,346)	(14,521,083)
Dividends paid	-	(33,487,000)
Net cash used in financing activities	(70,442,707)	(65,564,414)
Net (decrease) / increase in cash and cash equivalents	(556,000,247)	789,519,395
Cash and cash equivalents at the beginning of the period	1,013,318,368	104,827,765
Cash and cash equivalents at the end of the period	457,318,121	894,347,160
Significant non-cash transactions:		
Transfer from capital work in progress to property, plant and equipment and intangible assets	80,368,156	24,315,249
Additions to Right of use assets	(8,244,115)	-

The accompanying notes from (1) to (29) form an integral part of these interim condensed consolidated financial statements

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY

Elm Company (Formerly known as Al Elm Information Security Company) (the "**Company**") was established in Riyadh, Kingdom of Saudi Arabia, as a Saudi Limited Liability Company on Shawwal 24, 1408H (corresponding to June 8, 1988). It was converted to a Single Person Saudi Closed Joint Stock Company under the Royal Decree Number (M/90) dated Dhul-Qa'dah 3, 1428H (corresponding to November 13, 2007), and registered under commercial registration number 1010069210. The company is wholly owned by the Public Investment Fund in the Kingdom of Saudi Arabia. According to the company's article of association, the board of directors consists of seven members appointed by the Public Investment Fund, of whom four members are nominated by the Ministry of Interior. The company's head office is located in Al Thaghr - Al Nakheel Dis. 6614, Digital City, Riyadh, Kingdom of Saudi Arabia.

On January 5, 2021, the company's name was changed from Elm Information Security Company to Elm Company, this was due to a resolution issued during the Extraordinary General Assembly meeting held on November 10, 2020.

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

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

1) Product Suites: Specializes in providing electronic services to the government and private sectors.
2) Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.
3) Digital custom solutions: Specializes in providing digital solutions in the field of information technology.
4) Training solutions: Specializes in providing training solutions in various fields.
5) Consulting: Specializes in providing consultation solutions to the government and private sectors.

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

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

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

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

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

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

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

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

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

Subsidiaries

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

The Company has established Elm Technical Investment Company, a Limited Liability Company registered under commercial registration number 1010599252 on Safar 16, 1441H (corresponding to October 15, 2019). The Company is wholly owned by Elm Company and it is headquartered in Riyadh. The principal activity of the company is to manage call centers, service centers, computer systems programming, computer consultancy activities, information technology services, data processing, website hosting, and retail sale of information and communication equipment in specialized stores.

The Company has established Future Resources Company Limited, a Limited Liability Company registered under commercial registration number 1010606896 on Rabi Al Awal 8, 1441H (corresponding to November 5, 2019). The Company is 0.02% owned by Emdad Al Khebrat Limited and is 99.98% owned by Elm Technical Investment Company. The Company is headquartered in Riyadh. The principal activity of the company is in financial services, experienced consultancy activities in the field of management and computer programming.

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

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

During 2020, the Company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the company) to purchase 100% of the share capital of The Saudi Electronic Information Exchange Company "Tabadul", with all its rights and obligations and as per agreement, the economic rights and obligations is calculated beginning from January 1, 2020 with a book value of SR 450,154,946 minus the earnings payable for 2019 with an amount of SR 33,487,000. Tabadul is a closed Saudi joint stock company, was established under Royal Decree No. M / 39 of Rajab 7, 1430 AH corresponding to December 31, 2009, and registered under Commercial Registry No. 1010274503, and its head office is located in Riyadh. It operates in the IT sectors, Communications, installation, maintenance, support and support of communications and information technology programs, systems and applications. As well as owning, establishing, developing, operating and managing communication and information technology facilities and participating in the development, establishment, operation, maintenance and management of technical areas.

The company established Asdam Digital, under the Commercial Companies Law in Dubai, which is a free zone company with limited liability registered with Commercial Registration No. 99019, on Safar 9, 1443 AH (corresponding to September 16, 2021) and its headquarters is in Dubai, and it is 100% owned by Future Resources Company Ltd. The company is a provider of consulting services, customer service, development and delivery of solutions and support service providers for technical systems. The Company has not yet commenced its business operations.

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

Elm Digital Payment Company Limited

On June 7, 2021, the company wrote off the commercial register of Elm Digital Payments Limited, a one-person limited liability company registered with Commercial Registration No. 1010619996, the Company has not commenced its business operations.

2- BASIS OF PREPARATION

a) Accounting standards applied

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia, and the other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

2- BASIS OF PREPARATION (CONTINUED)

b) Basis of consolidation

The accompanying interim condensed consolidated financial statements include the financial statements of Elm Company and its subsidiaries ("collectively referred to as the Group").

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

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

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

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

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

c) Basis of measurement

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

Functional and presentation currency

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

d) Use of assumptions and estimates

The preparation of the interim condensed 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 disclosure of contingent liabilities as at the date of the interim condensed 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.

3- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these interim condensed consolidated financial statements are the same policies used in preparing the consolidated financial statements for the year ended December 31, 2020.

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended International Financial Reporting Standards (“IFRS”) and Interpretations

- ‘Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16´: The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
  - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
  - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
  - Provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.
  - These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Standards issued but not yet effective

The Group has not early adopted the following new or amended standards when preparing these interim condensed consolidated financial statements and it is expected that these standards may have no material impact on future periods:

New and amended IFRSs	Effective for annual periods beginning on or after
Provisions, Contingent Liabilities, and Contingent Assets (Amendments to IAS 37)	January 1, 2022
Annual Improvements to IFRS Cycle 2018–2020	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Insurance Contracts (Amendments to IFRS 17)	January 1, 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023

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

(Saudi Riyals)

4- OTHER FINANCIAL ASSETS

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial assets at FVTPL		
Advance payment for future equity		
Foodics Company (A)	-	6,248,385
Zid Company (B)	-	4,923,322
Sahl Almadar Company	6,210,221	6,210,221
Smart National Solutions Company	5,758,610	5,758,610
	11,968,831	23,140,538
Investment Funds		
Money Market Funds (C)	350,326,498	-
	362,295,329	23,140,538
Financial assets at FVTOCI		
Unquoted equity investments		
Sayarah Company (D)	35,574,769	10,566,851
Zid Company (B)	29,206,781	-
Unifonic Company	10,108,716	10,108,716
Foodics Company (A)	6,248,385	-
Cura Company (E)	4,987,500	-
Bayzat Company	1,057,577	662,728
Healthifyme Company	965,428	965,428
	88,149,156	22,303,723
Current	350,326,498	-
Non-current	100,117,987	45,444,261

a) During the first quarter of 2021, the group signed an agreement to transfer its Advance payment for future equity into Shares in Foodics; this transaction has resulted in owning 134,824 shares.

b) During the second quarter of 2021, the Group signed agreement to increase its investment in Zid Company with a total amount of SR 3.7 million. In addition to that, the group has transferred the advance payment for future equity into shares. The group has revaluated advance payment for future equity and this resulted in gains at fair value through profit and loss "FVTPL", as follows:

	Fair Value level	
As of January 1, 2021		4,923,322
Gain on revaluation measured at FVTPL	Level 3	20,532,559
Additional investment		3,750,900
		29,206,781

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

4- OTHER FINANCIAL ASSETS (CONTINUED)

Accordingly, the valuation of the investment in Zid and Foodics will be at fair value through other comprehensive income in the future, rather than through profit or loss.

c) During the third quarter of 2021, the group invested in a public-open fund, which aims to achieve low-risk returns for unit holders while preserving capital and providing liquidity, during the third quarter of the year 2021, there were gains in fair value through profit or loss included within the second fair value level of SR 326,498.

d) During the third quarter 2021, Future Resources Company, one of the group's subsidiaries, participated in an equity round for investment in "Sayara" company, a company incorporated under the Commercial Companies Law in the British Virgin Islands under Commercial Registration No. 1924624 and provides many services provided to buyers and sellers Cars through the "Syarah Online" platform, which is an integrated shopping platform that provides its customers with financing, marketing, a brief report and other services, with an amount of SR25,007,917, and thus the total investment of the group in a car company is 35,574,769 Saudi riyals.

e) During the third quarter of 2021, Future Resources Company, one of the group's subsidiaries, participated in an Equity round for investment in "Cura" company, a company incorporated under the Cayman Islands Commercial Companies Law under Commercial Registration No. 364331. The company provides an application on smart phones that enables users to obtaining remote medical consultations by communicating with certified doctors, for an amount of SR4,987,500.

5- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Government receivables	1,529,856,310	1,079,622,741
Trade receivables	619,225,319	475,419,043
	2,149,081,629	1,555,041,784
Expected credit losses allowance	(242,586,661)	(184,545,895)
	1,906,494,968	1,370,495,889

The movement in the allowance for expected credit loss is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance for the period / year	184,545,895	174,521,121
Resulted from Acquisition	-	1,979,093
Formed of provision during the period / year	58,040,766	8,045,681
Ending balance for the period / year	242,586,661	184,545,895

(Saudi Riyals)

6- CONTRACT ASSESTS

Contract assets represent revenues earned from services performance obligation preformed by the group that were not invoiced to customers until the date of the interim condensed consolidated financial statements, and these revenues will be invoiced during subsequent periods, or achieve contractual terms to issue invoice to customers.

Contract assets consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Government receivables	881,927,704	303,722,143
Trade receivables	49,537,816	25,458,701
	931,465,520	329,180,844
Expected credit losses allowance	(64,659,178)	(60,053,590)
	866,806,342	269,127,254

The movement of expected credit losses is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance for the period / year	60,053,590	33,306,711
Formed of provision during the period / year	4,605,588	26,746,879
Ending balance for the period / year	64,659,178	60,053,590

7- PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred costs	43,057,502	24,330,173
Value Added Tax “VAT”	21,181,931	11,670,302
Employees receivable	19,123,300	19,184,194
Prepaid insurance and subscription and rent	35,340,297	30,179,661
Advances to suppliers	7,204,018	3,731,988
short-term deposits accrued interest income	3,263,493	909,159
Other	14,325,720	1,582,757
	143,496,261	91,588,234

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

8- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash at banks	187,548,822	247,918,068
Short term Murabaha deposits (a)	269,769,299	765,400,300
	457,318,121	1,013,318,368

a) The balance of short-term Murabaha deposits consists of short-term deposits of one to three months.

9- BANK DEPOSITS

The balance of long-term bank deposits consists of long-term deposits with a term of more than three months and less than 12 months. The average commission is 0.8% annually. The interim condensed consolidated statement of profit or loss includes total deposit income of SR 6.8 million during the period ended September 30, 2021 (September 30, 2020: SR 9.2 million).

10- ISSUED AND PAID UP SHARE CAPITAL

The issued and paid up share capital consist of 80,000,000 ordinary shares with a nominal value of SR 10 per share (2020: 5,000,000 Shares with a nominal value of SR 10 per share).

11- PRPOSED INCREASE IN CAPITAL

During the year 2020, the general assembly agreed to increase the company's capital by an amount of SR450,000,000 by transferring an amount of SR33,332,054 from the retained earnings and an amount of SR416,667,946 resulting from the acquisition of Tabadul company (note 1) by issuing 45,000,000 ordinary shares. During the first quarter of 2021, the company issued 45,000,0000 additional shares with a nominal value of SR 10 per share.

On June 20, 2021, the general assembly agreed to increase the company's capital by SR300,000,000 by transferring it from the retained earnings by issuing an additional 30,000,000 shares with a nominal value of 10 Saudi riyals. The statutory procedures for increasing the capital were completed on July 1, 2021, thus the issued and fully paid up capital consisted of 80,000,000 shares at a value of SR10 per share.

12- RESERVES

a) Statuary Reserve

In line with the requirements of the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Group shall transfers 10% from annual net profit to statutory reserve until it reaches 30% of issued capital value. This reserve is not distributable to the company's shareholder. Transfer to the statutory reserve is made in the audited financial statements on December 31 of each year.

b) Other Reserves

Other reserves component consists of re-measurement of provision for employees' end of service benefits in addition to revaluation of investments through other comprehensive income, given that there was no movement on these balances during the reporting period.

(Saudi Riyals)

13- END OF SERVICES BENEFITS PROVISION

Movement in the present value of end of service benefits provision:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance for the period / year	228,121,038	184,382,388
Cost Resulted from Acquisition	-	8,080,303
Current service cost	32,501,946	42,669,687
Current service financing cost	3,614,031	6,859,155
Transferred Cost	(295,908)	(928,020)
Benefits paid	(17,456,679)	(12,682,800)
Re-measurement losses	-	(259,675)
Ending balance for the period / year	246,484,428	228,121,038

14- ACCRUED EXPENSES AND OTHER LIABILITES

Accrued expenses and other liabilities consist of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Contractual costs	417,206,370	337,262,446
Profit sharing projects	255,018,323	121,158,477
Employee accruals	190,042,294	187,541,074
Advances from customers	164,250,132	88,794,120
Marketing and sales commissions	29,039,924	23,614,159
Legal Provision	15,851,258	15,851,258
Retention payable	9,584,737	10,346,427
Others	9,513,319	6,791,502
	1,090,506,357	791,359,463

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

15- GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the nine months period ended September 30, is as follows:

	2021 (Unaudited)	2020 (Unaudited)
Salaries and employee benefits	149,581,750	122,479,142
Consulting and professional services	14,615,478	14,485,986
Subscription and memberships	6,943,264	2,742,294
Outsourcing	4,896,698	3,577,302
Hospitality and activities	4,477,006	7,564,316
Utilities and communications	2,683,212	3,584,562
Repair and maintenance	1,232,272	2,299,632
Other expenses	9,788,204	8,082,638
	194,217,884	164,815,872

16- SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the nine months period ended September 30, is as follows:

	2021 (Unaudited)	2020 (Unaudited)
Salaries and employee benefits	57,288,492	36,472,400
Sadad service	5,358,567	4,123,401
Public relations	2,392,480	3,218,217
Advertising and exhibitions	3,191,986	7,799,413
Other expenses	699,472	522,945
	68,930,997	52,136,376

(Saudi Riyals)

17- OTHER (EXPENSES) / INCOME, NET

Other (expenses) / income for the nine month period ended September 30, is as follows:

	2021 (Unaudited)	2020 (Unaudited)
Donations	(5,000,000)	-
Funds received from HRDF related to Saudization	1,692,461	3,033,952
(Formed) / reversal of legal claims	(15,517)	3,000,400
Others	210,781	434,713
	(3,112,275)	6,469,065

18- RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Relationship
Public Investment Fund	Ultimate owner
Senior executive managers	Employees
Board of directors	Members
Unifonic company	Investee
Smart National Solution Company	Affiliate

Below are the details of related party's significant transactions and during the period ended September 30:

	2021 (Unaudited)	2020 (Unaudited)
Transactions with the shareholder		
Service revenues	28,922,848	18,697,381
Dividends paid	-	33,487,000
Transaction with board of directors and senior executive managers		
Salaries and benefit	20,818,465	13,018.573
Remunerations and allowances	13,781,458	11,410,960
End of service benefits	2,076,671	1,359,250

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

18- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances:		
Due from related parties included in trade receivable for service revenue	49,681,436	24,289,551
Due to Related Parties		
Loan from Public Investment Fund	-	13,895,778
Unifonic Company	17,436,579	8,092,751
Smart National Solution Company	-	129,712
Dividends payable	1,986,500	1,986,500
	19,423,079	24,104,741

19- SEGMENT INFORMATION

The following are the selected financial information for these segments:

For the period ended September 30, 2021 (Unaudited)	Product suits	Business process outsourcing	Digital custom solutions	Consultation	Nationalization & Upskilling	Total
Revenues	1,397,699,923	892,076,732	134,167,071	72,214,279	262,046,018	2,758,204,023
Employee costs	(324,433,511)	(360,147,919)	(57,590,765)	(52,758,524)	(49,502,924)	(844,433,643)
Direct costs	(468,446,989)	(311,464,140)	(87,154,237)	(25,859,872)	(112,138,314)	(1,005,063,552)
Total profit	604,819,423	220,464,673	(10,577,931)	(6,404,117)	100,404,780	908,706,828
Profit margin	43%	25%	(8%)	(9%)	38%	33%
Total assets	2,508,952,282	1,601,329,381	240,837,660	129,628,812	470,387,773	4,951,135,908
Total liabilities	1,145,530,999	731,130,862	109,961,041	59,185,590	214,768,444	2,260,576,936
For the period ended September 30, 2020 (Unaudited)	**Product suits**	**Business process outsourcing**	**Digital custom solutions**	**Consultation**	**Nationalization & Upskilling**	**Total**
Revenues	973,764,678	322,033,596	126,902,786	67,201,737	57,742,610	1,547,645,407
Employee costs	(268,986,992)	(213,536,086)	(90,339,260)	(50,727,777)	(16,589,283)	(640,179,398)
Direct costs	(243,443,306)	(95,632,117)	(68,437,171)	(16,124,358)	(21,863,734)	(445,500,686)
Total profit	461,334,380	12,865,393	(31,873,645)	349,602	19,289,593	461,965,323
Profit margin	47%	4%	(25%)	1%	33%	30%
Total assets	2,289,716,184	757,231,755	298,399,982	158,018,573	135,776,325	3,639,142,819
Total liabilities	967,928,435	320,103,493	126,142,196	66,798,964	57,396,531	1,538,369,619

(Saudi Riyals)

20- ZAKAT

The group submitted zakat returns and obtained an empowering letter from the Zakat, Tax and Customs Authority until the end of the fiscal year ending on December 31, 2020 and ending on April 30, 2022. The group did not receive any zakat assessments for previous years until December 31, 2020.

Zakat Provision

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of period / year	65,690,341	-
Provision formed for the period / year	63,885,324	65,690,341
Payments made during the period / year	(43,954,431)	-
Balance at the end of the period / year	85,621,234	65,690,341

21- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has outstanding bank guarantee letters amounting to SR 33.7 million as of September 30, 2021, (December 31, 2020: SR 66.7 million).

22- EARNING PER SHARE

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Operating profit for the period	499,224,718	163,678,004
Net profit for the period	456,623,263	174,543,034
Number of Shares		
Weighted average number shares for the purposes of calculating basic and diluted earnings per share	80,000,000	80,000,000
Earnings per share attributable to the owner:		
From operating profit	6,24	2,05
From net profit	5,71	2,18

During the first quarter of 2021, the company issued an additional 45,000,000 shares transferred from the proposed increase in Capital, bringing the total number of the company's shares to 50,000,000 shares.

Later, during the third quarter of 2021, the company issued an additional 30,000,000 shares transferred from the proposed increase in capital, bringing the total number of the company shares to 80,000,000 shares (September 30, 2020: 5,000,000 shares).

The weighted average number of shares for the comparison period has been adjusted retrospectively due to the capital increases transferred from the proposed increase in capital (note 11).

ELM COMPANY (FOREMERLY KNOWN AS AL ELM INFORMATION SECURITY COMPANY)

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

23- RISK MANAMGMENT

a) Commission rate risk

Commission rate risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The company's interest rate risk arises from bank deposits that are at floating interest rates. All deposits are regularly re-priced. Management monitors changes in interest rates and in its view that fair value risks and cash flows of interest rates are not substantial for the Group.

b) 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.

c) Credit risk

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

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Accounts receivable (note 5)	58,040,766	-
Contract assets (note 6)	4,605,588	-
Reverse of employee receivable provisions	(13,474)	-
	62,632,880	-

d) Foreign currency fluctuation 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 any significant risk of fluctuating exchange rates at the period end, The management does not expect that the Group will undergo any significant transactions in the future related to these risks.

24- FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The group's financial assets consist of bank balances, receivables and other financial assets, While the financial liabilities consist of accounts payable, the fair value of financial instruments is not materially different from their carrying value,

Fair value is the value at which an asset is exchanged, or a liability settled, between willing parties with fair terms of deal.

(Saudi Riyals)

25- INVESTMENT IN ASSOCIATE

Associate company name	Ownership Percentage	
	September 30, 2021	December 31, 2020
Sahl Almadar Company	30%	30%
Smart National Solution Company	24%	24%
Al Dal for real estate services Company (A)	30%	-

a) Future Resources Company, one of the group's subsidiaries, established Al-Dal Real Estate Services Company, a limited liability company registered with Commercial Registration No. 1010680496, on Jumada Al-Awwal 29, 1442 AH (corresponding to January 13, 2021), and its headquarters is in Riyadh. The company's main activity is in auctioneers and auction brokers for all commodities, Online wholesale, residential home sale auctions, non-store auctions, brokerage agents' activities, real estate management activities for a commission, providing marketing services on behalf of others. The Company has not yet commenced its business operations.

26- COMPARATIVE FIGURES

Reclassification

Certain figures for the comparative year have been reclassified to conform to the current period presentation of the interim condensed consolidated financial statements.

During the period ended September 30, 2021, the Group reclassified certain items of equity through reclassifying reserves resulting from re-measuring employee end of service and revaluating investments through other comprehensive income from retained earnings to other reserves to improve financial statement presentation. Below are details:

As at December 31, 2020	Balance as at December 31, 2020	Reclassification	Balance after reclassification
Other reserves	-	(35,371,085)	(35,371,085)
Retained earnings	1,708,935,709	35,371,085	1,744,306,794

In addition to the above, there was a reclassification of some items, including value-added tax and other financial assets.

The reclassification had no effect on the net assets value of the group.

27- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021

(Saudi Riyals)

27- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK (CONTINUED)

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia began to allow the gradual return of all economic and commercial activities, taking into account the application of all approved preventive measures and adherence to social distancing.

During the fourth quarter of 2020, it was announced that vaccines had been discovered that had effectively exceeded the testing stage and had begun manufacturing and distributing globally to many countries, including the Kingdom of Saudi Arabia.

As of the date these interim condensed consolidated financial statements, the Group's business and operations have not been materially adversely affected by the consequences of the continuing outbreak of the virus.

The impact of the pandemic on the Group's business results and operations was assessed using some uncertain judgments, estimates and assumptions, which depend mainly on many factors and future developments that cannot be reliably predicted.

28- SUBSEQUENT EVENTS

There were no any subsequent events which requires disclosure in these interim condensed consolidated financial statements.

29- APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the audit committee delegated by the Board of Directors on Rabi' Al-Thani 23, 1443 AH (corresponding to November 28, 2021).

Al ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND

DECEMBER 31, 2019

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Special Purpose Consolidated Financial Statements

Opinion
We have audited the special purpose consolidated financial statements of Al Elm Information Security Company and its subsidiaries ("the Group"), which comprise the special purpose consolidated statement of financial position as at December 31, 2020 and December 31, 2019 and the special purpose consolidated statement of profit and loss and other comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated statement of cash flows for the years then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and December 31, 2019 and its financial performance and its cash flows for the years then ended in accordance with the accounting policies described in note 2 to the special purpose consolidated financial statements.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Special Purpose 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 Group's special purpose consolidated financial statements 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution
We draw attention to note 2 to the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared to assist the Group to meet the requirements of the Capital Market Authority ("CMA") in connection with the Group's application for a proposed initial public offering and pursuant to the requirements of Annex 15 of the Rules on the Offer of Securities and Continuing Obligations and for inclusion in the relevant prospectus. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter
The Group has prepared a separate set of consolidated financial statements for the year ended December 31, 2020 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholder of the Company dated April 8, 2021.

The comparative information as at and for the year ended December 31, 2018 presented in these special purpose consolidated financial statements has not been audited. It has been prepared by management from the financial statements of Al Elm Information Security Company and its subsidiaries and Saudi Information Exchange Company (Tabadul) for the year ended December 31, 2018, which were audited by another auditor who expressed an unmodified opinion on those statements on April 2, 2019 and May 21, 2019 respectively.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Special Purpose Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with the accounting policies described in note 2 to the special purpose consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the special purpose 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 ISAs 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 special purpose consolidated financial statements.

As part of an audit in accordance with ISAs 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 special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 special purpose 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.

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose 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

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
المركز الرئيسي - الرياض
ترخيص رقم ٣٢٣/١١/٩٦
License. 323/11/96
HO-Riyadh
Chartered Accountants
Deloitte and Touche & Co.

Waleed Bin Mohammed Subahi
License No. 378

14 Thul-Qi'dah, 1442 AH
24 June, 2021

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Note	December 31, 2020	December 31, 2019	December 31, 2018
Revenue	29	2,466,065,209	2,373,383,219	2,068,092,343
Cost of revenue	24	(1,639,490,588)	(1,609,508,154)	(1,271,500,893
Gross profit		826,574,621	763,875,065	796,591,450
Expenses				
Selling and marketing expenses	25	(76,927,388)	(96,901,901)	(81,017,165)
Provision for expected credit losses	33	(35,489,335)	(512,331)	(6,498,549)
General and administrative expenses	26	(246,937,757)	(269,498,749)	(252,912,722)
Depreciation and amortization	5 ,7 ,8	(111,611,334)	(94,203,332)	(74,984,288)
Operating profit		355,608,807	302,758,752)	381,178,726
Finance costs		(6,373,912)	(7,065,475)	(6,899,813)
Return on short-term deposits	14 ,15	10,922,797	19,960,897)	10,346,054
Net share of Profit in associate	9	103,596	-	-
Change in fair value of investments through profit or loss	10	3,595,548	-	-
Other income	27	8,412,641	74,212,043	10,740,268
Profit before Zakat		372,269,477	389,866,217	395,365,235
Zakat	30	(65,690,341)	-	-
Net Profit		306,579,136	389,866,217	395,365,235
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Change in fair value of investments through other comprehensive income	10	866,732	1,732,887	-
Re-measurement of end of service benefits provision	20	259,675	(12,190,644)	(5,699,137)
TOTAL COMPREHENSIVE INCOME		307,705,543	379,408,460	389,666,098
Earnings per share (in Saudi Riyal):				
Basic and diluted earnings per share from operating profit	35	71.12	60.55	76.24
Basic and diluted earnings per share from net profit	35	61.32	77.97	79.07

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Note	December 31, 2020	December 31, 2019	December 31, 2018
ASSETS				
Non-current assets				
Property, plant and equipment	5	**373,732,417**	379,315,183	401,316,680
Capital work in progress	6	**108,538,021**	82,326,230	17,842,194
Right-of-use assets	7	**131,457,589**	161,675,434	-
Intangible assets	8	**82,978,472**	42,048,465	38,785,193
Investments in associates	9	**212,556**	-	-
Other financial assets	10	**45,444,261**	20,196,697	4,694,375
Bank Deposits – non-current		**-**	250,000,000	250,000,000
Total non-current assets		**742,363,316**	935,562,009	712,638,442
Current assets				
Accounts receivable	11	**1,370,495,889**	1,164,179,875	1,117,422,403
Contract assets	12	**269,127,254**	414,302,099	334,508,307
Prepaid expenses and other debit balances	13	**79,917,932**	115,651,530	88,055,837
Bank deposits - current	14	**537,968,184**	482,063,295	341,498,210
Cash and cash equivalents	15	**1,013,318,368**	350,500,347	363,045,334
Total current assets		**3,270,827,627**	2,526,697,146	2,244,530,091
TOTAL ASSETS		**4,013,190,943**	3,462,259,155	2,957,168,533
EQUITY AND LIABILITIES				
Equity				
Issued and paid up capital	16	**50,000,000**	50,000,000	50,000,000
Proposed increase in capital	17	**450,000,000**	365,699,903	365,699,903
Statutory reserve	18	**25,000,000**	25,000,000	25,000,000
Other reserves	19	**(35,681,985)**	(36,808,392	(26,350,635)
Retained earnings		**1,744,617,694**	1,555,825,655	1,179,909,438
Total equity		**2,233,935,709**	1,959,717,166	1,594,258,706

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Note	December 31, 2020	December 31, 2019	December 31, 2018
Liabilities				
Non-current liabilities				
Due to related Party– non-current	28	-	12,672,085	25,396,864
Liabilities for purchasing property - non-current	5	74,255,782	97,752,252	120,647,641
Lease liabilities- non-current	7	101,534,296	124,047,451	-
End of service benefits provision	20	228,121,038	192,462,691	150,257,434
Total non-current liabilities		403,911,116	426,934,479	296,301,939
Current liabilities				
Accounts payable	21	226,711,828	183,585,705	230,100,914
Due to related parties- current	28	24,104,741	17,058,837	44,855,343
Contract liabilities	22	227,282,520	186,389,099	200,084,362
Accrued expenses and other liabilities	23	779,689,161	644,499,118	569,257,584
Zakat	30	65,690,341	-	-
Liabilities of purchasing property – current	5	23,496,470	22,895,389	22,309,685
Lease liabilities- current	7	28,369,057	21,179,362	-
Total current liabilities		1,375,344,118	1,075,607,510	1,066,607,888
Total liabilities		1,779,255,234	1,502,541,989	1,362,909,827
TOTAL EQUITY AND LIABILITIES		4,013,190,943	3,462,259,155	2,957,168,533

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Note	Issued and paid up capital	Proposed increase in capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2018		50,000,000	-	25,000,000	(20,651,498)	1,055,802,715	1,110,151,217
Net profit for the year		-	-	-	-	395,365,235	395,365,235
Other comprehensive income		-	-	-	(5,699,137)	-	(5,699,137)
Total other comprehensive income		**-**	**-**	**-**	**(5,699,137)**	**395,365,235**	**389,666,098**
Book value resulting from the acquisition	1	-	365,699,903	-	-	-	365,699,903
Dividend distributions	36	-	-	-	-	(271,258,512)	(271,258,512)
Balance as at December 31, 2018		50,000,000	365,699,903	25,000,000	(26,350,635)	1,179,909,438	1,594,258,706
Net profit for the year		-	-	-	-	389,866,217	389,866,217
Other comprehensive income		-	-	-	(10,457,757)	-	(10,457,757)
Total other comprehensive income		**-**	**-**	**-**	**(10,457,757)**	**389,866,217**	**379,408,460**
Dividend distribution		-	-	-	-	(13,950,000)	(13,950,000)
Balance as at December 31, 2019		50,000,000	365,699,903	25,000,000	(36,808,392)	1,555,825,655	1,959,717,166
Net profit for the year		-	-	-	-	306,579,136	306,579,136
Other comprehensive income		-	-	-	1,126,407	-	1,126,407
Total other comprehensive income		**-**	**-**	**-**	**1,126,407**	**306,579,136**	**307,705,543**
Transfer from retained earnings to Proposed increase in capital	17	-	84,300,097	-	-	(84,300,097)	-
Dividend distribution	36	-	-	-	-	(33,487,000)	(33,487,000)
Balance as at December 31, 2020		**50,000,000**	**450,000,000**	**25,000,000**	**(35,681,985)**	**1,744,617,694**	**2,233,935,709**

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the year		**372,269,477**	389,866,217	395,365,235
Adjustments for non-cash items:				
Depreciation and amortization	5,7,8	**111,611,334**	94,203,332	74,984,288
Provision for expected credit losses	33	**35,489,335**	512,331	6,498,549
Loss from disposal of property and equipment		**2,967**	2,878,925	122,570
Reversal provision		**-**	-	(2,174,111)
End of service benefits provision	20	**48,600,822**	40,668,173	35,449,575
Share of earnings from associates	9	**(103,596)**	-	-
Gains in fair value through profit or loss	10	**(3,595,548)**	-	-
Bank deposits income		**(10,922,797)**	(19,960,896)	(10,346,054)
Finance costs	5,7	**6,188,174**	6,694,355	6,899,813
		559,540,168	514,862,437	506,799,865
Working capital adjustments:				
Accounts receivable		**(214,361,695)**	(47,269,803)	7,173,870
Prepaid expenses and other debit balances		**16,726,344**	(13,620,984)	(29,625,847
Contract assets		**118,427,966**	(90,614,822)	(128,924,368
Accounts payable		**43,126,123**	(48,168,959)	(1,679,232)
Contract liabilities		**40,649,437**	(13,695,263)	97,180,052

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019	December 31, 2018
Due to related parties		7,671,213	-	-
Accrued expenses and other liabilities		154,409,683	75,034,875	103,617,424
Cash from operations		726,189,239	376,527,481	554,541,764
Proceeds from bank deposits income		10,013,638	9,566,164	3,013,047
End of service benefits paid	20	(12,682,800)	(10,653,560)	(15,940,599)
Net cash generated from operating activities		723,520,077	375,440,085	541,614,212
CASH FLOWS FROM INVESTING ACTIVITIES				
Bank deposits	14	194,095,111	(140,565,085)	(341,498,210)
Cash acquired upon the acquisition of a subsidiary	1	-	-	142,761,388
Purchase of property, plant and equipment and intangible assets	5,8	(23,607,815)	(42,281,748)	(13,018,198)
Other financial assets	10	(20,785,284)	(10,014,235)	(4,694,375)
Investments in associates	9	(108,960)	-	-
Payments for capital works in progress	6	(111,920,090)	(73,058,629)	(22,090,534)
Proceeds from sale of Property, plant and Equipment		-	35,000	650,000
Net cash generated from/(used in) investing activities		37,672,962	(265,884,697)	(237,889,929)

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019	December 31, 2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of Lease liabilities		(22,829,121)	(40,485,459)	(21,738,964)
Payments of liabilities for purchasing property		(22,895,389)	(22,309,685)	-
Payments to related parties		(14,521,087)	(14,521,087)	(14,521,086)
Finance cost paid		(4,642,421)	(4,691,388)	(4,323,831)
Dividends paid	1	(33,487,000)	(40,092,756)	(386,215,759
Net cash used in financing activities		(98,375,018)	(122,100,375)	(426,799,640)
Net increase/(decrease) in cash and cash equivalents		662,818,021	(12,544,987)	(123,075,357)
Cash and cash equivalents at the beginning of the year	15	350,500,347	363,045,334	486,120,691
Cash and cash equivalents at the end of the year		1,013,318,368	350,500,347	363,045,334
Significant non-cash transactions:				
Changes in fair value of investments at fair value through other comprehensive income	10	866,732	(1,732,887)	-
Re-measurement of end of service benefits provision	20	259,676	(12,190,644)	(5,699,137)
Amounts transferred from prepaid expenses and other debit balances to right-of-use assets		-	(3,485,853)	-
Transfer from capital work in progress to property, plant and equipment and intangible assets	6	85,708,299	(9,166,079)	52,228,590
Finance cost		909,159	-	231,717
Movement in due to related parties account		13,895,778	-	-
Additions to right of use		7,427,586	61,086,752	-
Transferred from retained earnings to Proposed increase in capital		(84,300,097)	-	-

The accompanying notes from (1) to (38) form an integral part of these special purpose consolidated financial statements

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY

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

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

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

1) Product Suites: Specializes in providing electronic services to the government and private sectors.

2) Business process outsourcing: Specializes in support of the public sectors to provide public interaction services and operational work.

3) Digital custom solution: Specializes in providing digital solutions in the field of information technology.

4) Professional services: Specializes in providing training and consultation solutions in various fields.

5) Nationalization and up skilling: Specializes in providing nationalization solutions.

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

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

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

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

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

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

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

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

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

Subsidiaries

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

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

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

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

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NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

1- INFORMATION ABOUT THE COMPANY (CONTINUED)

Subsidiaries (continued)

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

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

On August 2, 2020, the Company has signed a share sale and purchase agreement with Public Investment Fund (the sole shareholder of the Company) to purchase 100% of the share capital of Saudi Company for Knowledge Exchange ("Tabadul") with all its rights and obligations, for nil consideration.

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

This transaction has resulted in the Company gaining a controlling interest over Tabadul. As this is a common control transaction, the Company accounts for acquisitions of single-controlled entities using the business combination pooling of interest method, and has reflected the net contributed assets of Tabadul as Proposed increase in capital in these special purpose financial statements.

For the purpose of these special purpose consolidated financial statements, the acquisition of Tabadul has been reflected in the earliest comparative period (being the year ended December 31, 2018) to reflect the requirements of Annex 15 of the Rules on the Offer of Securities and Continuing Obligations, to be used in connection with the Company's application for the proposed initial public offering for inclusion in the Company's prospectus.

The details of the book value of Tabadul as of January 1, 2018 is as follows:

Cash and cash equivalents	142,761,388
Property, plant and equipment	26,509,222
Capital work in progress	1,389,648
Intangible assets	8,614,510
Accounts receivable	35,482,963
Prepaid expenses and other debit balances	939,589
Bank deposits	250,000,000
End of service benefits provision	(5,247,917)
Accounts Payable	(7,536,294)
Due to related parties - long-term	(37,573,685)
Due to related parties - short-term	(14,521,087)
Accrued expenses and other liabilities	(35,118,434)
Purchase consideration in the form of additional capital contribution (Note 17)	365,699,903

The Company and its subsidiaries mentioned above are referred to collectively as the "Group" in these special purpose consolidated financial statements.

2- BASIS OF PREPARATION

a) Accounting standards applied

These special purpose 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"), and the requirements of Annex 15 of the Rules on the Offer of Securities and Continuing Obligations and for inclusion in the relevant prospectus.

For the purpose of these special purpose consolidated financial statements, the acquisition of Tabadul has been reflected in the earliest comparative period (being the year ended December 31, 2018) to reflect the requirements of Annex 15 of the Rules on the Offer of Securities and Continuing Obligations, to be used in connection with the Company's application for the proposed initial public offering for inclusion in the Company's prospectus.

b) Basis of consolidation

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

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

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

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

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

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

c) Basis of measurement

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

d) Functional and presentation currency

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

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

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NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

2- BASIS OF PREPARATION (CONTINUED)

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 special purpose 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 discounted at a specified rate by referring to the returns of the financial market on the pension obligation index for a period equal to the obligation period as at the end of the report date. It requires setting important judgments when defining criteria for deriving the return, including the country risk premium, and determining amendments which are excluded.

e-2 Using assumptions and estimates

The preparation of special purpose consolidated financial statements requires the use of estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the special purpose 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 relate to future periods and other major sources of uncertainty in the estimates in the financial reporting period that may have a significant risk that results in substantial adjustments to the carrying amounts of assets and liabilities for the upcoming financial 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 individual assets. The residual value is determined based on experience and observable data when available.

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

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

Calculation of expected credit losses provision

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

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

2- BASIS OF PREPARATION (CONTINUED)

Calculation of expected credit losses provision (continued)

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

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

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

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

The assumptions used to measure revenue

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

3- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

or

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

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All liabilities are classified current when:

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

or

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

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

Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combination process for common-controlled entities

Business combinations that involve common-controlled entities and that do not include any consideration are accounted for using business combination pooling of interest method where the assets and liabilities are recorded at their book value in the books of the acquirer. No goodwill resulting from the acquisition is recorded. As disclosed in Note 2(a) for the purpose of these special purpose consolidated financial statements, the common-control acquisition has been reflected in the earliest period presented (being the year ended December 31, 2018) by restating the comparative balances.

Investments in associates

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

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

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

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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) The Group's 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 fulfils 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 from 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 will flow to the Group, and that revenue and costs, if applicable, can be measured reliably.

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

For revenue from projects, revenue is recognized upon fulfilment of contract performance obligations.

Foreign currencies

Balances and foreign transactions

Originally, transactions in foreign currencies are transferred by the Group's entities at the exchange rates prevailing in the functional currency on 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 special purpose 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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

Property, plant and equipment

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

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

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.

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

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

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

Intangible assets

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Intangible assets with a specified life are amortized over their estimated useful lives, and reviewed to ensure that there is no impairment in its value when there is evidence that indicates that a decrease has occurred. The period and method for amortization of intangible assets with a finite useful life are reviewed at least at the end of each financial reporting period. Changes in the accounting of expected useful life or the method of amortizing future economic benefits embodied in the asset – through adjusting the amortization period or method, as appropriate, is considered as changes in accounting estimates . Amortization expense for intangible assets with specific lives is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense and in line with the function of the intangible assets.

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

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

Computer programs

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

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

Computer programs and electronic systems are amortized over 5 years.

Impairment of non-financial assets

The Group, at the date of preparing the special purpose consolidated financial statements, makes an assessment to ensure that there is no evidence of any impairment in the value of an asset. In case 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 (value-in-use), and is determined for each asset, except in cases where the asset does not generate cash inflows that are largely independent of those from other assets or group assets. In cases where the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the asset is considered to be impaired and is written down to the recoverable amount.

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

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

For assets, except goodwill, an evaluation is performed at the date of preparing the special purpose consolidated financial statements, to assess if there is any indication that the previously reported impairment should be reversed. If such evidence exists, the Group estimates the recoverable amount of the asset or cash generating unit. The previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal of the entry is limited so that the book value of the asset does not exceed the recoverable value of it nor the book value that was supposed to be determined - after deduction of depreciation - if the impairment loss was not proven in previous years. This reversal is recognized in the consolidated statement of profit or loss and comprehensive income.

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

Cash and cash equivalents

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

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

Dividend distribution

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

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 deducting 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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee end of service benefits

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

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

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

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

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

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

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

The actuarial valuation process takes into consideration the Saudi labor law and the Group policy.

Financial instruments

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

Financial assets and financial liabilities were initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss 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 accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

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

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Amortized cost and effective interest rate method (continued)

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

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

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

Interest income is recognized in consolidated statement of profit or loss and other comprehensive income.

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.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Prepayments for future equity ownership rights represent payments by the Group to acquire equity in investee's upon the occurrence of specified future events. These assets are generally held in a business model to hold the investment, and the asset fails the recognition criteria to be held at either amortized cost or FVTOCI, and therefore these financial assets are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss.

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.

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 trends, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

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.

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3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

De-recognition of financial liabilities

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

Right-of-use assets and Lease Liabilities

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

As a leasee

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

Initial recognition

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

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

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

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

- Fixed payments (including fixed payments in substance), less any lease contracts incentives receivable.
- Variable lease payments based on an index or rate.
- Amounts expected to be paid by the lessee under the residual value guarantees.
- The exercise price of the purchase option if the tenant is reasonably certain of the exercise of this option.
- Paying the contract termination fines if the lease term reflects the tenant's practice of this option.

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Subsequent measurement

The right of use assets

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

a) After deducting the accumulated depreciation and any accumulated impairment losses.

b) After any re-measurement of the lease liabilities due to lease modifications.

Lease commitment

The Company measures lease liabilities after the start date by:

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

b) Reducing book value to reflect lease payments made.

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

Zakat

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

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

4-1 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 special purpose consolidated financial statements are the same as those applied when preparing the consolidated financial statements for the year ended December 31, 2019.

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

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

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

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

4-2 4-2 New and amended IFRSs not yet effective

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

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

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

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5- PROPERTY, PLANT AND EQUIPMENT

	Land (A)	Buildings (A)	Information system devices	Furniture and Fixtures	Leasehold improvements	Vehicles	Total
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
Cost resulting from acquisition (Note 1)	8,000,000	18,325,000	-	7,968,991	-	850,500	35,144,491
Additions/transfers during the year	-	127,039	9,029,704	1,937,995	-	212,200	11,306,938
Transfers from construction work in progress	-	52,228,590	-	-	-	-	52,228,590
Disposals during the year	-	-	(483,881)	(5,864,614)	(11,786,405)	(2,240,000)	(20,374,900)
Balance as at December 31, 2018	33,760,000	298,990,200	54,990,782	42,194,242	102,901,528	8,213,760	541,050,512
Additions during the year	-	2,088,281	14,752,557	3,046,103	2,890,271	2,396,805	25,174,017
Disposals during the year	-	-	(2,322,093)	(796,913)	-	(700,450)	(3,819,456)
Balance as at December 31, 2019	33,760,000	301,078,481	67,421,246	44,443,432	105,791,799	9,910,115	562,405,073
Re-classification	-	-	1,643,596	(1,643,596)	-	-	-
Additions during the year	-	31,665	20,821,379	828,189	22,500	1,023,288	22,727,021
Transfer from capital work in progress	-	-	10,687,026	1,126,571	8,010,743	-	19,824,340
Disposals during the year	-	-	(235,827)	(9,729)	-	(2,700,499)	(2,946,055)
Balance as at December 31, 2020	**33,760,000**	**301,110,146**	**100,337,420**	**44,744,867**	**113,825,042**	**8,232,904**	**602,010,379**

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5- PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land (A)	Buildings (A)	Information system devices	Furniture and Fixtures	Leasehold improvements	Vehicles	Total
Accumulated Depreciation							
Balance as at January 1, 2018	-	-	34,564,377	23,519,062	43,560,277	6,162,947	107,806,663
Accumulated depreciation resulting from acquisition (Note 1)	-	5,131,000	-	3,037,855	-	466,414	8,635,269
Depreciation during the year	-	7,863,224	7,533,893	6,378,343	19,590,711	1,528,058	42,894,229
Disposal during the year	-	-	(277,786)	(5,558,767)	(11,525,776)	(2,240,000)	(19,602,329)
Balance as at December 31, 2018	-	12,994,224	41,820,484	27,376,493	51,625,212	5,917,419	139,733,832
Depreciation during the year	-	9,249,197	10,246,800	6,055,810	18,296,161	1,319,122	45,167,090
Disposals during the year	-	-	(876,336)	(385,676)	-	(549,020)	(1,811,032)
Balance as at December 31, 2019	-	22,243,421	51,190,948	33,046,627	69,921,373	6,687,521	183,089,890
Re-classification	-	-	1,468,036	(1,468,036)	-	-	-
Depreciation during the year	-	9,305,183	12,053,991	6,031,294	19,421,558	1,319,131	48,131,157
Disposals during the year	-	-	(232,858)	(9,729)	-	(2,700,498)	(2,943,085)
Balance as at December 31, 2020	**-**	**31,548,604**	**64,480,117**	**37,600,156**	**89,342,931**	**5,306,154**	**228,277,962**
Net book value							
As at December 31, 2020	**3,760,000**	**269,561,542**	**35,857,303**	**7,144,711**	**24,482,111**	**2,926,750**	**373,732,417**
As at December 31, 2019	33,760,000	278,835,060	16,230,298	11,396,805	35,870,426	3,222,594	379,315,183
As at December 31, 2018	33,760,000	285,995,976	13,170,298	14,817,749	51,276,316	2,296,341	401,316,680

(Expressed in Saudi Riyals)

5- PROPERTY, PLANT AND EQUIPMENT (Continued)

a) During year 2011, ELM Information Security Company purchased land and a building in the amount of SR 25 million and SR 228 million, respectively. The total consideration will be paid according to a schedule of payments agreed in the sales contract, where the last payment will be in 2024, and the legal 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, and accordingly the cost of the building became SR 278 million.

The liability relating to the purchase of the property consists of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Liability of purchasing a property - non-current	**74,255,782**	97,752,252	120,647,641
Liability of purchasing a property - current	**23,496,470**	22,895,389	22,309,685
	97,752,252	120,647,641	142,957,326

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

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

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

	December 31, 2020	December 31, 2019	December 31, 2018
Finance costs	**3,411,390**	3,990,910	4,555,548

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6- CAPITAL WORK IN PROGRESS

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

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at the beginning of the year	82,326,230	17,842,194	46,590,601
Net result of acquisition (note 1)	-	-	1,389,648
Additions	121,321,653	79,185,639	22,090,535
Transferred to property, plant and equipment (note 5)	(19,824,340)	-	(52,228,590)
Transferred to intangible assets (note 8)	(65,883,959)	(9,166,079)	-
Disposals during the year	(9,401,563)	(4,630,023)	-
Impairment	-	(905,501)	-
Balance year end	108,538,021	82,326,230	17,842,194

7- RIGHT -OF- USE ASSETS

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

	Buildings and Land	Printers	Vehicles	Total
Balance as of January 1, 2019	-	-	-	-
Effect of IFRS 16 adoption	58,565,737	2,521,015	-	61,086,752
Additions during the year	125,193,500	-	2,917,873	128,111,373
Depreciation during the year	(25,391,606)	(672,148)	(1,458,937)	(27,522,691)
Balance as of 31 December 2019	**158,367,631**	**1,848,867**	**1,458,936**	**161,675,434**
Additions during the year	7,427,586	-	-	7,427,586
Depreciation during the year	(35,514,347)	(672,148)	(1,458,936)	(37,645,431)
Balance as of December 31, 2020	**130,280,870**	**1,176,719**	**-**	**131,457,589**

The lease liability consists of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Lease liabilities - non-current	101,534,296	124,047,451	-
Lease liabilities - current	28,369,057	21,179,362	-

The following table details the Company's remaining contractual maturity for its lease liabilities. The table has been drawn up based on the undiscounted cash flows of the lease liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

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7- RIGHT -OF- USE ASSETS (CONTINUED)

	Buildings and Land	Printers	Vehicles	Total
Year 1	27,671,017	698,040	-	28,369,057
Year 2	19,032,470	504,203	-	19,536,673
Year 3	11,808,345	-	-	11,808,345
Year 4	3,311,366	-	-	3,311,366
Year 5	2,575,936	-	-	2,575,936
More than 5 years	64,301,976	-	-	64,301,976
	128,701,110	1,202,243	-	129,903,353

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

	December 31, 2020	December 31, 2019	December 31, 2018
Finance costs	1,738,828	1,278,257	-

8- INTANGIBLE ASSETS

	December 31, 2020	December 31, 2019	December 31, 2018
Cost			
Balance at the beginning of the year	278,291,145	253,514,322	128,381,002
Cost resulting from acquisition (note 1)	-	-	123,422,060
Transferred from capital work in progress	65,883,959	9,166,079	-
Additions during the year	880,794	15,610,744	1,711,260
Cost at the end of the year	345,055,898	278,291,145	253,514,322
Accumulated amortization			
Balance at the beginning of the year	(236,242,680)	(214,729,129)	(67,831,520
Accumulated amortization resulting from acquisition (note 1)	-	-	(114,807,550
Amortization during the year	(25,834,746)	(21,513,551)	(32,090,059)
Accumulated amortization at the end of the year	(262,077,426)	(236,242,680)	(214,729,129)
Net Book Value at the end of the year	82,978,472	42,048,465	38,785,193

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9- INVESTMENTS IN ASSOCIATES

The following investments in associates are accounted for according to the equity method with respect to the portion related to the investment in the Company's capital. The advance payment for future ownership rights in respect of these investments is recognized at fair value in accordance with IFRS 9 and the gain or loss is recognized through the statement of profit or loss (Note 10).

9-1 Details of Associates

	December 31, 2020	December 31, 2019	December 31, 2018
Sahel Al Madar Trading Company (A)	30%	-	-
Smart National Solutions Company (B)	24%	-	-

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

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

10- OTHER FINANCIAL ASSETS

	December 31, 2020	December 31, 2019	December 31, 2018
Financial assets at FVTPL (10-1)	23,140,538	3,755,200	-
Financial assets at FVTOCI (10-2)	22,303,723	16,441,497	4,694,375
	45,444,261	20,196,697	4,694,375

(Expressed in Saudi Riyals)

10- OTHER FINANCIAL ASSETS (CONTINUED)

10-1 10-1 Financial assets at FVTPL

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

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

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

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

10-2 Financial assets at FVTOCI

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

	Syarah Company (A)	Bayzat Company (B)	Unifonic Company (C)	Healthyfyme Company (D)	Total
Balance at January 1, 2018	-	-	-	-	-
Additions during the year	-	-	4,694,375	-	4,694,375
Balance as at December 31, 2018	**-**	**-**	**4,694,375**	**-**	**4,694,375**
Additions during the year	5,007,333	5,006,902	-	-	10,014,235
Change in fair value during the year	3,849,251	(4,052,832)	1,936,468	-	1,732,887
Balance as at December 31, 2019	**8,856,584**	**954,070**	**6,630,843**	**-**	**16,441,497**
Additions during the year	-	-	-	4,995,494	4,995,494
Change in fair value during the year	1,710,267	(291,342)	3,477,873	(4,030,066)	866,732
Balance as at December 31, 2020	**10,566,851**	**662,728**	**10,108,716**	**965,428**	**22,303,723**

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10- OTHER FINANCIAL ASSETS (CONTINUED)

10-2 Financial assets at FVTOCI (continued)

a) Syarah Company was established according to the British Virgin Islands Commercial Companies Law under Commercial Registration No. 1924624. The company provides many services provided to car buyers and sellers through the "Syarah Online" platform and is considered an integrated shopping platform that provides its customers with financing, marketing, summary report and more services.

b) Bayzat Company was established according to the Cayman Islands Commercial Companies Law. The company provides insurance solutions where the user can compare and choose the best option according to his requirements via Bayzat platform, as well as the company provides through its platform human resources systems.

c) Unifonic Company was established according to the Virgin Islands Business Companies law under Commercial Registration No. 1887019. The company provides the latest technology to develop strong communications by adopting a secure API defined by text messages and voice calls, two-factor verification and number verification in order to ensure reliable communication channels between companies and customers.

d) Healthyfyme Company was established according to Singapore Commercial Companies Law under Commercial Registration No. R20135901. The company provides a smartphone application that helps users track their sports activity and diet and connects them with nutrition and fitness specialists from human or artificial intelligence specialists

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

11- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Government receivables*	**1,079,622,741**	858,430,309	889,808,968
Trade receivables	**475,419,043**	482,249,780	413,768,419
	1,555,041,784	1,340,680,089	1,303,577,387
Expected credit losses provision	**(184,545,895)**	(176,500,214)	(186,154,984)
	1,370,495,889	1,164,179,875	1,117,422,403

* Government receivables balance includes an amount of SR 24,289,551 due from Public Investment Fund as disclosed in note 28 (2019: SR 10,231,463).

(Expressed in Saudi Riyals)

11- ACCOUNTS RECEIVABLE (CONTINUED)

Account receivables ageing is as follows:

	December 31, 2020		December 31, 2019		December 31, 2018	
	Government	Private	Government	Private	Government	Private
0-90 days	388,315,404	287,301,629	366,534,951	163,972,869	488,370,365	146,647,092
91-180 days	81,414,336	29,226,888	88,288,553	76,574,164	117,955,043	60,518,583
181-365 days	64,167,595	40,722,881	82,495,379	34,222,720	88,908,174	88,909,037
More than 365 days	545,725,406	118,167,645	321,111,426	207,480,027	194,575,386	117,693,707
	1,079,622,741	475,419,043	858,430,309	482,249,780	889,808,968	413,768,419

The movement of expected credit losses is as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at the beginning of the year	176,500,214	186,154,984	133,946,854
Impact of adoption of IFRS 9	-	-	67,752,444
Resulting from acquisition (note 1)	-	-	127,475
Provision for the year (note 31)	8,045,681	512,331	4,732,948
Reversal for the year	-	(10,167,101)	(20,404,737)
Balance at the end of the year	184,545,895	176,500,214	186,154,984

12- CONTRACT ASSETS

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

Contract assets consists of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Government receivables	303,722,143	376,123,937	301,768,246
Trade receivables	25,458,701	71,484,873	56,137,696
	329,180,844	447,608,810	357,905,942
Expected credit losses provision	(60,053,590)	(33,306,711)	(23,397,635)
	269,127,254	414,302,099	334,508,307

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12- CONTRACT ASSETS (Continued)

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at the beginning of the year	33,306,711	23,397,635	1,227,297
Provision for the year	26,746,879	9,909,076	22,170,338
Balance at the end of the year	60,053,590	33,306,711	23,397,635

13- PREPAYMENTS AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Prepayments	30,179,661	37,472,329	27,292,537
Deferred costs	24,330,173	29,478,608	16,551,151
Employees receivable	19,184,194	31,809,399	27,997,220
Advances to suppliers	3,731,988	3,420,927	11,550,209
Accrued interest income	909,159	3,466,549	631,156
Other	1,582,757	10 ,003,718	4,033,564
	79,917,932	115,651,530	88,055,837

14- BANK DEPOSITS

The balance of bank deposits consists of deposits with a term of more than three months. The average commission is 1.21% annually, and the consolidated statement of profit or loss and other comprehensive income includes total deposit income of SR 10.9 million during the year ended December 31, 2020 (2019: SR 19.6 million).

15- CASH AND CASH EQUIVALENTS

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

	December 31, 2020	December 31, 2019	December 31, 2018
Cash at banks	247,918,068	350,500,347	243,045,334
Short term Murabaha deposits *	765,400,300	-	120,000,000
	1,013,318,368	350,500,347	363,045,334

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

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16- ISSUED AND PAID UP SHARE CAPITAL

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

17- PROPOSED INCREASE IN CAPITAL

During 2018 as result of the Tabadul acquisition (Note 1), SR 365,699,903 recorded as net assets of a proposed increase in capital.

During 2020, management has transferred SR 84,300,097 from retained earnings to Proposed increase in capital. The total balance of SR 450,000,000 will be converted to share capital in 2021 upon completing the statutory procedures for increasing share capital.

18- STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net profit until the reserve equals 30% of the share capital. This reserve is not available for distribution.

19- OTHER RESERVES

Other reserves consist of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
Employees end of service benefits remeasurement			
Opening balance	(38,541,279)	(26,350,635)	(20,651,498)
Re-measurement of end of service benefits	259,675	(12,190,644)	(5,699,137)
Closing balance	(38,281,604)	(38,541,279)	(26,350,635)
Fair Value Reserve for Other Financial Assets			
Opening balance	1,732,887	-	-
Re-measurement of end of service benefits	866,732	1,732,887	-
Closing balance	2,599,619	1,732,887	-
Total other reserves	(35,681,985)	(36,808,392)	(26,350,635)

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20- END OF SERVICES BENEFITS PROVISION

	December 31, 2020	December 31, 2019	December 31, 2018
Financial assumptions:			
Discount rate	2.2%	3.5%	5.0%
Salary increase rate	5%	5% - 8%	5% - 6%

Employee end of service benefits provision movement in present value:

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at the beginning of the year – present value of end of service benefits provision	192,462,691	150,257,434	119,801,404
Net resulting from acquisition (note 1)	-	-	5,247,917
Current service cost	42,669,687	33,188,819	29,262,708
Current service financing cost	6,859,155	7,479,354	6,186,867
Transfer	(928,020)	-	-
Benefits paid	(12,682,800)	(10,653,560)	(15,940,599)
Actuarial (losses)/gains arising from the liability	(259,675)	12,190,644	5,699,137
Present value of end of service benefits provision	228,121,038	192,462,691	150,257,434

Following are sensitivity analysis for the actuarial assumptions:

	December 31, 2020		December 31, 2019		December 31, 2018	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (change by 1%)	(21,659,636)	25,726,246	(25,384,681)	30,176,266	(19,425,022)	23,321,576
Increase salary rate (change by 1%)	25,900,660	(22,220,456)	30,392,224	(25,866,136)	23,552,369	(19,823,821)
Employee turnover rate (change by 10%)	(2,758,826)	2,970,074	(10,521,668)	10,706,865	(8,313,013)	8,471,429

21- ACCOUNTS PAYABLE

Accounts payable are amounts due to suppliers that have not been paid up to the date of the special purpose 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.

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22- 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 special purpose 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.

23- ACCRUED EXPENSES AND OTHER LIABILITES

Accrued expenses and other liabilities are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Contractual costs	239,257,606	232,096,208	260,100,592
Employees accruals	187,541,074	171,223,075	174,906,425
Public-private partnerships projects	120,119,986	68,764,895	5,890,440
Advances from customers	88,794,120	55,066,657	54,568,478
Marketing and sales commissions	23,614,159	23,933,062	20,271,824
Retention payables	10,346,427	9,786,269	9,139,190
Others	110,015,789	83,628,952	44,380,635
	779,689,161	644,499,118	569,257,584

24- COST OF REVENUE

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

	December 31, 2020	December 31, 2019	December 31, 2018
Salaries and employee benefits	915,758,328	882,409,427	735,414,723
Direct costs	723,732,260	727,098,727	536,086,170
	1,639,490,588	1,609,508,154	1,271,500,893

25- SELLING AND MARKETING EXPENSES

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

	December 31, 2020	December 31, 2019	December 31, 2018
Salaries and employee benefits	55,777,943	59,812,701	48,608,512
Advertising and exhibitions	10,683,843	21,477,541	20,231,015
Sadad service expenses	5,943,056	5,360,692	4,026,380
Public relations	3,721,906	9,192,584	6,350,009
Other expenses	800,640	1,058,383	1,801,249
	76,927,388	96,901,901	81,017,165

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26- GENERAL AND ADMINISTRATIVE EXPENSES

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

	December 31, 2020	December 31, 2019	December 31, 2018
Salaries and employee benefits	**187,148,019**	185,967,649	163,845,331
Consulting and professional services	**18,819,941**	26,932,489	21,245,520
Hospitality and activities	**8,783,160**	18,758,732	14,082,904
Repair and maintenance expenses	**4,656,815**	6,510,439	7,230,849
Utilities and communications	**4,478,167**	5,050,428	5,400,718
Contractor expenses	**4,943,163**	7,716,755	4,764,292
Rent	**406,815**	876,060	20,221,693
Other expenses	**17,701,677**	17,686,197	16,121,415
	246,937,757	269,498,749	252,912,722

27- OTHER INCOME

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

	December 31, 2020	December 31, 2019	December 31, 2018
Funds received from HRDF to support Saudization	**4,722,212**	813,221	4,099,727
Reversal (formation) of legal cases provision (a)	**3,000,401**	(2,271,000)	-
Monafasat project compensation – Ministry of finance (b)	**-**	68,989,922	-
Settlement of bills written off from Saudi Airlines	**-**	5,647,105	-
Reversal of provision	**-**	-	2,174,111
Others	**690,028**	1,032,795	4,466,430
	8,412,641	74,212,043	10,740,268

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

b) During the year 2019, the company received an amount of SR 69 million from the Ministry of Finance, which is related to the government procurement system (Monafasat) and have been recorded as other income.

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28- RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Below are the details of the significant transactions with related parties during the year ended December 31:

	December 31, 2020	December 31, 2019	December 31, 2018
Transactions with the shareholder			
Service revenue	**26,248,524**	24,799,593	8,617,877
Dividends paid	**33,487,000**	13,950,000	271,258,512
Transaction with board of directors and senior executive managers			
Salaries and benefit	**22,537,340**	23,616,757	22,628,682
Remunerations and allowances	**12,914,366**	15,227,436	21,161,953
End of service indemnity	**1,664,641**	2,342,913	2,183,384

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28- RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	December 31, 2020	December 31, 2019	December 31, 2018
Balances:			
Due from related parties included in trade receivable for service revenue (Note 11)	**24,289,551**	10,231,463	8,993,660
End of service indemnity for senior executive managers	**12,252,434**	10,635,271	15,330,302
Due to Related Parties - Non current			
Loan from Public Investment Fund (1)	-	12,672,085	25,396,864
Due to Related Parties - current			
Loan from Public Investment Fund (1)	**13,895,778**	14,521,087	14,521,087
Unifonic Company	**8,092,751**	551,250	2,205,000
Smart National Solution Company	**129,712**	-	-
Dividends payable	**1,986,500**	1,986,500	28,129,256
Due to related parties – current portion	**24,104,741**	17,058,837	44,855,343

1) The loan balance of SR 13,8 million (2019: SR 27,2 million; 2018: SR 39,9 million) represents a commission-free financing repayment agreement between the Public Investment Fund and Tabadul, There is an amount of SR 1,2 million (2019: SR 1,8 million) in financing costs charged to the statement of profit and loss related to unwinding the discount on the commission-free loan.

29- SEGMENT INFORMATION

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

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

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29- SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2019	Product suits	Digital out-sourcing	Digital custom solution	Professional Services	Nationalization & upskilling	Total
Revenues	1,462,580,024	432,865,791	339,890,326	138,047,078	-	2,373,383,219
Employee costs	(311,664,581)	(266,982,571)	(189,727,201)	(114,035,074)	-	(882,409,427)
Direct costs	(351,515,996)	(186,465,941)	(166,832,498)	(21,782,237)	(502,055)	(727,098,727)
Gross profit/ (loss)	799,399,447	(20,582,721)	(16,669,373)	2,229,767	(502,055)	763,875,065
Profit/(loss) margin	55%	(5%)	(5%)	2%	0%	32%
Total assets	2,133,591,844	631,458,728	495,827,384	201,381,199	-	3,462,259,155
Total liabilities	925,930,495	274,038,774	215,177,845	87,394,875	-	1,502,541,989

For the year ended December 31, 2018	Product suits	Digital out-sourcing	Digital custom solution	Professional Services	Nationalization & upskilling	Total
Revenues	1,182,575,374	384,761,958	381,586,224	119,168,787	-	2,068,092,343
Employee costs	(255,121,285)	(305,025,799)	(137,881,486)	(37,386,153)	-	(735,414,723)
Direct costs	(233,344,961)	(54,750,476)	(187,222,663)	(60,768,070)	-	(536,086,170)
Gross profit	694,109,128	24,985,683	56,482,075	21,014,564	-	796,591,450
Profit/(loss) margin	59%	6%	15%	18%	0%	39%
Total assets	1,690,966,410	550,171,736	545,630,749	170,399,638	-	2,957,168,533
Total liabilities	779,338,313	253,565,009	251,472,144	78,534,361	-	1,362,909,827

b) Information on revenue sources

	December 31, 2020	December 31, 2019	December 31, 2018
Revenue from Governmental entities	1,461,265,505	1,392,058,198	1,215,076,841
Revenue from Private Entities	1,004,799,704	981,445,021	853,015,502
	2,466,065,209	2,373,503,219	2,068,092,343

30- ZAKAT

30-1 Zakat Position

In accordance with the Royal Decree No, (35657) dated 29/6/1442H, the General Authority for Zakat and Tax shall collect Zakat from companies that the Public Investment Fund (PIF) fully owns, directly or indirectly provided that such companies are residing in the Kingdom of Saudi Arabia and are fully owned by PIF for the year ending December 31, 2019, The Royal decree also specifies that PIF and its subsidiaries shall not be subject to Zakat for earlier financial years.

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30- ZAKAT (CONTINUED)

30-2 Zakat Base

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

	December 31, 2020
Capital at beginning of the year	50,000,000
Additions:	
Retained earnings, reserves and provisions - beginning of the year	1,434,562,220
Additional capital proposed	416,667,946
Allocations and reserves	414,586,814
Accounts payable and other liabilities	506,423,876
Net adjusted profit	465,574,278
Total adjusted equity	3,287,815,134
Disposals:	
Net property (adjusted) and investments	(731,088,013)
Total adjusted disposals	(731,088,013)
Zakat base	2,091,152,843
Zakat base during the year	2,627,613,658
2,5% Zakat from the Zakat base during the year	65,690,341

30-3 Zakat Provision

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

31- BANK FACILITIES

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

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32- CONTINGENT LIABILTIES

The Group has outstanding bank guarantee letters amounting to SR 66,7 million as of December 31, 2020, (December 31, 2019: SR 82,1 million), The group also has capital and operating commitments amounting to SR 439 million as of December 31, 2020.

33- RISK MANAMGMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk, Risk management is carried out by senior management under policies approved by the Board of Directors (BOD), The most important types of risk are credit risk, currency risk and fair value risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework, The executive management team is responsible for developing and monitoring the Group's risk management policies, The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

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

a) Interest rate risk

It is the exposure to various risks related to the impact of fluctuations in the prevailing interest rates on the financial position and cash flows for the group, The company's interest rate risk arises from bank deposits, short-term bank debt and long-term debt term, which is at floating interest rates, All debts and deposits are subject to regular re-pricing, and watching Management of changes in interest rates and in its opinion that the fair value and cash flow risks of interest rates are not essential to the group.

Interest Rate Sensitivity Analysis

For variable rate deposits, the analysis is prepared assuming that the amount of deposit outstanding at the end of the reporting period was Due all year round, An increase or decrease of 50 basis points represents management's assessment of a reasonably possible change in interest rates.

On December 31, 2020, if the interest rates on short-term deposits of the variable rate group are higher/lower By 50 basis points with all other variables held constant, the profit for the year would be SAR 6,5 million higher / Less, mainly as a result of high / low interest income on variable rate deposits (2019: 3,7 million riyals Saudi and 2018: 3,6 million Saudi riyals.

b) Credit risk

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

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

	December 31, 2020	December 31, 2019	December 31, 2018
Account receivable	8,045,681	512,331	4,732,948
Contracts assets	26,746,879	-	1,765,601
Employee receivable	696,775	-	-
	35,489,335	512,331	6,498,549

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33- RISK MANAMGMENT (CONTINUED)

b) Credit risk (continued)

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

	Account receivable			Contract assets		
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Government receivables	1,079,622,741	858,430,309	889,808,968	303,722,143	376,123,937	301,768,246
Trading receivables	475,419,043	482,249,780	413,768,419	25,458,701	71,484,873	56,137,696
	1,555,041,784	1,340,680,089	1,303,577,387	329,180,844	447,608,810	357,905,942

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.

Levels are determined using qualitative and quantitative factors which indicates the default risk in payment.

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

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

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

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at the beginning of the year	209,806,925	209,552,619	135,174,151
Impact of adoption of IFRS 9			67,752,444
Net resulting from acquisition (Note1)	-	-	127,475
Provision made during the year	34,792,560	10,421,407	26,903,286
Provision reversal during the year	-	(10,167,101)	(20,404,737)
	244,599,485	209,806,925	209,552,619

33- RISK MANAMGMENT (CONTINUED)

c) Liquidity risk

Liquidity risk represents the Group's inability to meet its obligations related to the financial liabilities once due, The Group reduces liquidity risk by ensuring that the necessary liquidity is continuously available, With the exception of the liability for purchasing property and lease liabilities, all other financial liabilities are expected to be settled in the following 12 months, The maturity profile for liability for purchasing property is disclosed in note 5 and maturity analysis for lease liabilities is disclosed in Note 7.

d) 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 significant risk of fluctuating exchange rates at the reporting date, The management does not expect that the Group will undergo any significant transactions in the future related to these risks.

e) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for Shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

34- FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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34- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(Expressed in Saudi Riyals)

34- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2019							
	Book Value			Fair Value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	20,196,697	-	20,196,697	-	-	20,196,697	20,196,697
Trade Receivables	-	1,164,179,875	1,164,179,875	-	-	-	1,164,179,875
Prepaid expenses and other debit balances	-	31,809,399	31,809,399	-	-	-	31,809,399
Bank deposits	-	732,063,295	732,063,295	-	-	-	732,063,295
Cash and cash equivalents	-	350,500,347	350,500,347	-	-	-	350,500,347
Total	**20,196,697**	**2,278,552,916**	**2,298,749,613**	**-**	**-**	**20,196,697**	**2,298,749,613**
Financial liabilities							
Accounts payable	-	183,585,705	183,585,705	-	-	-	183,585,705
Due to related parties	-	17,058,837	17,058,837	-	-	-	17,058,837
Accrued expenses and other liabilities	-	644,499,118	644,499,118	-	-	-	644,499,118
Real estate purchase liability	-	120,647,641	120,647,641	-	-	-	120,647,641
Lease Obligations	-	145,226,813	145,226,813	-	-	-	145,226,813
Total	**-**	**1,111,018,114**	**1,111,018,114**	**-**	**-**	**-**	**1,111,018,114**

AL ELM INFORMATION SECURITY COMPANY AND ITS SUBSIDIARIES

(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Saudi Riyals)

34- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2018							
	Book Value			Fair Value			
	At fair Value	At amortized cost	Total	Level one	Level two	Level three	Total
Financial assets							
Other financial assets	4,694,375	-	4,694,375	-	-	4,694,375	4,694,375
Trade Receivables	-	1,117,422,403	1,117,422,403	-	-	-	1,117,422,403
Prepaid expenses and other debit balances	-	27,997,220	27,997,220	-	-	-	27,997,220
Bank deposits	-	591,498,210	591,498,210	-	-	-	591,498,210
Cash and cash equivalents	-	363,045,334	363,045,334	-	-	-	363,045,334
Total	**4,694,375**	**2,099,963,167**	**2,104,657,542**	**-**	**-**	**4,694,375**	**2,104,657,542**
Financial liabilities							
Accounts payable	-	230,100,914	230,100,914	-	-	-	230,100,914
Due to related parties	-	44,855,343	44,855,343	-	-	-	44,855,343
Accrued expenses and other liabilities	-	569,257,584	569,257,584	-	-	-	569,257,584
Real estate purchase liability	-	142,957,326	142,957,326	-	-	-	142,957,326
Total	**-**	**987,171,167**	**987,171,167**	**-**	**-**	**-**	**987,171,167**

35- EARNINGS PER SHARE

Earnings per share for the year has been calculated by dividing the income from operations and net income for the year by the number of shares outstanding at the end of the year,

36- DIVIDEND

During 2018, the ordinary general assembly approved, in its meeting held on 23 Sha'ban 1439 (corresponding to May 9, 2018), the distribution of dividends for the year 2017 in the amount of SR 256,258,512 (equivalent to SR 51,2517 per share), The dividend was paid to Public Investment Fund and the Ministry of Interior in line with the signed agreement of the founding committee of the Company,

Prior to the completion of the legal acquisition of Tabadul, the ordinary general assembly of Tabadul approved the distribution of dividends for the years 2014 and 2015, and the extraordinary general assembly approved dividends for the year 2016 by SR 5 million for each year with a total amount of SR 15 million, Also the ordinary general assembly of Tabadul Company approved the distribution of dividends totaling SR 13,95 million during 2019, In 2020, the general assembly of Tabadul approved on 12 Shawwal 1441 (corresponding to June 4, 2020) the distribution of cash dividends to the current owner (Public Investment Fund) in the amount of SR 33,487,000,

37- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

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

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

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

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

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

38- SUBSEQUENT EVENTS

- On January 5, 2021, the Company modified its name to become Elm Company instead of Elm Information Security Company,
- During the first quarter of the year 2021, the Company issued an additional 45,000,000 shares with a nominal value of SR 10, and thus the issued and fully paid-up capital consists of 50,000,000 shares with a nominal value of SR 10 per share.
- In February 2021, a lawsuit was filed against one of the group's subsidiaries for an amount of SR 22,5 million, noting that the group provided a provision of SR 15,8 million for this case.
- During the second quarter of the year 2021, the Extraordinary General Assembly agreed to increase the Company's capital by SR 300,000,000 by transferring it from the retained earnings by issuing 30,000,000 shares with a nominal value of SR 10.
- During the second quarter of the year 2021, the Company canceled the commercial registration of Elm Digital Payments Limited Company, which is a one-person limited liability Company registered with Commercial Registration No, 1010619996, while the Company didn't commence its business operations.

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