Rasan Information Technology Company and its Subsidiaries (A Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Rasan Information Technology Company and its Subsidiaries
(A Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2021

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Rasan Information Technology Company
(A Closed Joint Stock Company)

Opinion
We have audited the consolidated financial statements of Rasan Information Technology Company (the "Company") and its subsidiaries (collectively, with the Company referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' 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 31 December 2022, 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Rasan Information Technology Company
(A Closed Joint Stock Company) (continued)

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

We communicate with the Board of Directors 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.

for Ernst & Young Professional Services

Abdulaziz S. Alarifi
Certified Public Accountant
License No. (572)

Riyadh: 17 Dhu Al-Hijjah 1444H
(5 July 2023)

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CR.1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	***31 December 2021 SR***	*31 December 2020 SR (Note 30)*	*1 January 2020 SR (Note 30)*
ASSETS				
CURRENT ASSETS				
Bank balances and cash	5	**35,278,462**	2,413,651	3,361,436
Trade receivables, prepayments and other current assets	6	**13,464,536**	5,227,632	1,384,053
Amount due from a related party	7	**9,674,570**	-	232,117
TOTAL CURRENT ASSETS		**58,417,568**	7,641,283	4,977,606
NON-CURRENT ASSETS				
Property and equipment	8	**4,627,610**	2,343,260	1,505,453
Intangible assets	9	**19,360,843**	13,559,649	13,197,302
Right-of-use assets	10	**4,094,537**	604,338	704,796
TOTAL NON-CURRENT ASSETS		**28,082,990**	16,507,247	15,407,551
TOTAL ASSETS		**86,500,558**	24,148,530	20,385,157
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Trade and other payables	11	**15,453,634**	6,246,481	4,657,425
Amounts due to related parties	7	**-**	32,174,230	31,658,474
Lease liability – current	10	**1,732,664**	283,706	422,287
Loan payable to a related party – current	12	**3,241,474**	-	-
Zakat payable	13	**1,492,462**	310,023	113,985
TOTAL CURRENT LIABILITIES		**21,920,234**	39,014,440	36,852,171
NON-CURRENT LIABILITIES				
Employees' defined benefits liabilities	14	**2,702,722**	2,406,770	1,414,708
Loan payable to a related party - non current	12	**19,252,754**	-	-
Lease liability - non current	10	**2,330,470**	230,017	180,833
TOTAL NON-CURRENT LIABILITIES		**24,285,946**	2,636,787	1,595,541
TOTAL LIABILITIES		**46,206,180**	41,651,227	38,447,712
PARTNERS' EQUITY (DEFICIT)				
Capital	15	**25,500,000**	3,000,000	3,000,000
Statutory reserve	16	**5,447,986**	915,811	**-**
Retained earnings (accumulated losses)		**9,343,271**	(21,404,440)	(21,060,574)
Currency translation reserve		**3,121**	(14,068)	(1,981)
TOTAL PARTNERS' EQUITY (DEFICIT)		**40,294,378**	(17,502,697)	(18,062,555)
TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		**86,500,558**	24,148,530	20,385,157

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021*** ***SR***	*2020* *SR* *(Note 30)*
Revenue from contract with customers	18	**86,898,916**	43,368,799
Cost of sales	19	**(26,049,073)**	(21,101,650)
GROSS PROFIT		**60,849,843**	22,267,149
General and administrative expenses	20	**(21,279,265)**	(18,714,220)
Marketing expenses		**(6,526,401)**	(2,986,007)
OPERATING PROFIT		**33,044,177**	566,922
Finance cost	21	**(684,885)**	(83,416)
Other income	22	**4,426,532**	398,462
PROFIT BEFORE ZAKAT		**36,785,824**	881,968
Zakat	13	**(1,505,938)**	(310,023)
NET PROFIT FOR THE YEAR		**35,279,886**	571,945
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**17,189**	(12,087)
TOTAL COMPREHENSIVE INCOME		**35,297,075**	559,858
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	17	**19.437**	571.945

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the year ended 31 December 2021

	Capital *SR*	*Statutory reserve* *SR*	*Retained earnings/ (accumulated losses)* *SR*	*Currency translation reserve* *SR*	*Total* *SR*
As at 31 December 2019, as previously reported under IFRS for SMEs	3,000,000	-	(20,089,890)	(1,981)	(17,091,871)
Impact of first-time adoption of IFRS (note 30)	-	-	(970,684)	-	(970,684)
As at 1 January 2020, as restated	3,000,000	-	(21,060,574)	(1,981)	(18,062,555)
Net income for the year	-	-	571,945	-	571,945
Other comprehensive loss	-	-	-	(12,087)	(12,087)
Total comprehensive income for the year	-	-	571,945	(12,087)	559,858
Transfer to statutory reserve	-	915,811	(915,811)	-	-
Balance at 31 December 2020	3,000,000	915,811	(21,404,440)	(14,068)	(17,502,697)
Net income for the year	**-**	**-**	**35,279,886**	**-**	**35,279,886**
Other comprehensive income	**-**	**-**	**-**	**17,189**	**17,189**
Total comprehensive income for the year	**-**	**-**	**35,279,886**	**17,189**	**35,297,075**
Capital increase (note 15)	**22,500,000**	**-**	**-**	**-**	**22,500,000**
Transfer to statutory reserve (note 16)	**-**	**4,532,175**	**(4,532,175)**	**-**	**-**
Balance at 31 December 2021	**25,500,000**	**5,447,986**	**9,343,271**	**3,121**	**40,294,378**

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	***2021*** ***SR***	*2020* *SR* *(Note 30)*
OPERATING ACTIVITIES			
Profit before zakat		**36,785,824**	881,968
Adjustments to reconcile profit before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	8	**865,081**	640,570
Amortisation of intangible assets	9	**4,657,294**	3,592,737
Write-off of intangible assets	9	**739,352**	18,575
Depreciation of right-of-use assets	10	**534,505**	391,611
Impairment of trade receivables	6	**1,462**	732
Provision for employees' defined benefits liabilities	14	**621,426**	1,018,533
Day one gain on fair valuation of loan payable to a related party	12	**(4,424,699)**	-
Finance costs on loan payable to a related party	12	**540,620**	-
Finance costs on lease liability	10	**75,684**	59,387
Operating cash flows before working capital changes		**40,396,549**	6,604,113
Working capital changes:			
Trade receivables, prepayments and other current assets		**(13,410,866)**	(3,844,311)
Amount due from a related party		**(9,674,570)**	232,116
Trade and other payables		**9,207,150**	1,589,054
Amounts due to related parties		**(624,003)**	515,756
Cash from operating activities		**25,894,260**	5,096,728
Zakat paid	13	**(323,499)**	(113,985)
Finance costs paid		**(75,684)**	(59,387)
Employees' defined benefits paid	14	**(325,474)**	(26,471)
Net cash from operating activities		**25,169,603**	4,896,885
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(3,150,508)**	(1,478,377)
Additions to intangible assets	9	**(11,197,840)**	(3,973,659)
Net cash used in investing activities		**(14,348,348)**	(5,452,036)
FINANCING ACTIVITIES			
Increase in capital	15	**22,500,000**	-
Lease liabilities paid		**(475,293)**	(380,550)
Net cash from / (used in) financing activities		**22,024,707**	(380,550)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**32,845,962**	(935,701)
Currency translation adjustments		**18,849**	(12,084)
Bank balances and cash at the beginning of the year		**2,413,651**	3,361,436
BANK BALANCES AND CASH AT THE END OF THE YEAR	5	**35,278,462**	2,413,651
Significant non-cash transactions:			
Conversion of amount due to a related party to loan payable to a related party	12	**26,378,307**	**-**
Addition to right-of-use assets and lease liability	10	**4,219,362**	291,153

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

1 ORGANIZATION AND ACTIVITIES

Rasan Information Technology Company (the “Company” or the “Parent Company”) is a limited liability company registered in the Kingdom of Saudi Arabia (KSA) under commercial registration number 1010476663 issued on 5 Sha’ban 1437H (corresponding to 12 May 2016). The Company’s head office is located at Riyadh and its registered address is P.O. Box 13248, Riyadh 3413, Kingdom of Saudi Arabia.

The Company is engaged in online wholesale, electronic publishing, ready software publishing, systems analysis, design and customization of program software, software maintenance and web page design, setting up of web page hosting infrastructure, providing SMS design and website design.

Currently, the Company is engaged in providing insurance aggregator, online auto auction and online leasing insurance services (refer note 18).

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (collectively with the Company referred to as the “Group”) listed below:

Name of the entity	*Country of incorporation*	*Nature of business*	*Direct and indirect Ownership %*	
			2021	*2020*
Rasan Software House LLC	UAE	Computer systems and communication equipment software design.	**100%**	100%
Rasan LLC	Egypt	Analysis and design of programs, databases and applications and all related services.	**100% ***	100% *
Awal Mozawadah Information Technology LLC	KSA	The company is engaged in vehicle’s auctions, towing and storage.	**100%**	100%

* 1% of the shareholding in Rasan LLC – Egypt, is held by Mr. Muaiyad Abdullah Suliman Alfallaj (partner in the Company) in the beneficial interest of the Company.

Rasan Software House LLC is a limited liability company registered under the United Arab Emirates (“UAE”) Federal Law No. 2 of 2015 (UAE “Companies Law"), Dubai, UAE with registration number 779139 issued on 26 March 2020 by the Department of Economic Development – Government of Dubai. The registered address of the Company is office 1102, Midas REF Limited, Business Bay, Dubai, UAE.

Rasan LLC is a limited liability company registered under the Egyptian Law No. 159 of 1981 (Egyptian "Companies Law"), Cairo, Arab Republic of Egypt ("Egypt") with registration number 137619 issued on 18 July 2020 by Ministry of Supply & Internal Trading - Egypt. During the year 2021, the ownership of Rasan LLC was transferred from Rasan Software House LLC to the Company.

Awal Mozawadah Information Technology LLC is a limited liability company registered in Kingdom of Saudi Arabia under commercial registration number 1010627669 issued on 24 Jumad Thani 1441H (corresponding to 18 February 2020).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared for inclusion in a prospectus in connection with an Initial Public Offering (IPO) in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2 BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

The Group has issued its statutory financial statements for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities ("IFRS for SMEs") that is endorsed in KSA and other standards and pronouncements that are endorsed by SOCPA (collectively referred to as "IFRS for SMEs as endorsed in KSA").

On 1 November 2022, the partners of the Company appointed financial advisors to go for IPO. As per recommendations of the Capital Market Authority (CMA), the Company was requested to prepare its financial statements for the year ended 31 December 2021 under IFRS as endorsed in KSA. These financial statements for the year ended 31 December 2021 are the first consolidated financial statements, the Company has prepared in accordance with IFRS as endorsed in KSA. Refer to Note 30 for information on the first-time adoption of the IFRS as endorsed in KSA by the Company.

Accounting convention
These consolidated financial statements have been prepared on a historical cost basis except for the employees' defined benefit liabilities, which are measured at the present value of the liability using projected unit credit methodology.

Functional and presentation currency
These consolidated financial statements are presented in Saudi Arabian Riyals ("SR"), which is also the Company's functional currency.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries set out in Note 1 above and are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

a) The contractual arrangement(s) with the other vote holders of the investee
b) Rights arising from other contractual arrangements
c) The Group's voting rights and potential voting rights

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

2 BASIS OF PREPARATION (continued)

2.2 Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is the summary of significant accounting policies applied by the Group in preparing its consolidated financial statements:

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- 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; 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.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between 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 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3 SUMMARY OF 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

Revenue from contract with customers

The Group provides aggregator services related to motor & health insurance and online auto auction. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its all revenue arrangements, because it typically controls the goods or services before transferring them to the customer, except for revenue arrangements related to auto auction services for which the Group concluded it acts as an agent in such arrangements.

The Group uses the five-step model of revenue recognition as described in IFRS 15 Revenue from Contracts with Customers. In particular, the Group has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Identification of performance obligations:

At the inception of each contract entered into with a customer, the Group identifies the various goods promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations. Goods promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the goods either on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the goods to the customer is separately identifiable from other promises in the contract.

Allocation of the transaction price:

The Group determines the transaction price in accordance with the requirements of IFRS 15 and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimated).

Recognition of revenue allocated to each performance obligation:

The Group recognizes its sale at the time of issuing the invoice and departure of goods from its factory, all the goods are in-transit insured.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contract with customers (continued)

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group adjust at the year end the amount of consideration to which the Group is entitled in exchange for transferring the promised services to a customer.

Other income

Other income is recognized in the consolidated statement of comprehensive income as and when earned.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Zakat and tax

Zakat

The Company and local subsidiaries are subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is provided on an accrual basis and charged to the consolidated statement of profit or loss. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved.

Income Tax

The Group's foreign subsidiary are subject to income tax as per tax regulations issued by respective tax authorities.

Value added tax

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

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

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

Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when 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 the gain or loss on the change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

i) Transactions and balances (continued)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rate during the period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the reporting period in which they are incurred.

The estimated useful lives of the property and equipment for the calculation of depreciation are as follow:

	Useful life (in years)
Computers	4
Equipment	5
Furniture	6
Servers and network	5
Vehicles	5

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, as necessary.

Carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the consolidated statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between net sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is charged to consolidated statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset 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 considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent 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 cash-generating unit level. The assessment of indefinite life is reviewed annually to determine

whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The cost of the intangible asset is the purchase price together with any incidental expenses of acquisition and staff cost incurred on development of internally generated intangibles. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of intangible assets and the benefits can be measured reliably. All other expenditure is recognised in the consolidated statement of comprehensive income as an expense is incurred.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

The useful life of the intangible assets is 5 years. The amortisation charge for the year is calculated on a straight-line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Leases

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

•	Building	2 to 5 Years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed in consolidated statement of financial position.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight line basis over the lease term.

Financial instruments – initial recognition and subsequent measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flow that are not SPPI are classified and measured at fair value through profit or loss, irrespective of business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with an objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (“EIR”) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost includes trade receivables and amounts due from related parties.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets at fair value through OCI.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any such financial assets in current year and prior years.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

The Group does not have any such financial assets in current year and prior years.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case,

The Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for trade receivables and bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group uses minimal PD's and LGD's to calculate ECLs for trade receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities includes trade payables, amounts due to related parties and loan payable to related party.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared at Group level, which is considered as a CGU. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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

Employees' defined benefit liabilities

Employees' defined benefit liabilities

The Group primarily has end of service benefits which qualify employees' defined benefit obligation ("DBO").

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected in retained earnings as other reserves and will not be reclassified to consolidated statement of comprehensive income in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements.

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items and the last component in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' defined benefit liabilities (continued)

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and air tickets that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Earnings per share (EPS)
Basic and diluted EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Segment reporting
A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported 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 the asset or liability 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Going concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provision for expected credit losses of trade receivables

The Group uses minimal PD's and LGD's to calculate ECLs for trade receivables. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the provision for ECLs on the Group's trade receivables is disclosed in note 6.

Provision for expected credit losses of bank balances

Provision for expected credit losses for the bank balance is based on the international credit rating of the counterparty.

Useful lives and residual values of property and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually, and the depreciation and amortisation method to make sure that the depreciation method and period are consistent with the expected pattern of the assets' economic benefits. Residual value is determined based on experience and observable data where available.

Defined benefit plans (employees' end of service benefits)

The cost of defined benefit plans and the present value of such obligation are determined using 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 obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end of service benefits are provided in note 14.

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Development costs of intangible assets
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Revenue Recognition – Principal vs Agent
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent and has concluded that it is the principal in its revenue arrangements because it is the primary obligator in all revenue arrangements, has pricing latitude, typically controls the goods or services before transferring them to the customer and is exposed to credit risks.

Management has concluded that the Group acts as a principal for its all revenue arrangements, except for revenue arrangements related to auto auction services for which the Group concluded it acts as an agent in such arrangements.

5 BANK BALANCES AND CASH

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Bank balances	**35,247,133**	2,354,121	3,336,519
Cash in hand	**31,329**	59,530	24,917
	35,278,462	2,413,651	3,361,436

6 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Trade receivables	**10,280,101**	3,392,571	-
Less: Provision for expected credit losses	**(2,194)**	(732)	-
	10,277,907	3,391,839	-
Prepayments	**2,867,425**	880,374	1,188,969
Advances to suppliers	**169,875**	365,226	-
Security deposits	**119,892**	83,558	83,512
Contract asset	**-**	417,729	-
Others	**29,437**	88,906	111,572
	13,464,536	5,227,632	1,384,053

It is not the practice of the Group to obtain collateral over receivables and the vast majorities are, therefore, unsecured.

As of 31 December, movement in provision for expected credit losses is as follows:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
At the beginning of the year	**732**	-	-
Provided during the year	**1,462**	732	-
At the end of the year	**2,194**	732	-

As at 31 December, the ageing analysis of accounts receivable is, as follows:

31 December 2021	***Total SR***	***current SR***	***1–30 days SR***	***31–60 days SR***	***61–90 days SR***	***> 91 days SR***
Expected credit loss rate	**0.02%**	**-**	**0.03%**	**0.03%**	**0.03%**	**-**
Gross carrying amount	**10,280,101**	**3,284,236**	**835,453**	**46,012**	**6,114,400**	**-**
Expected credit loss	**2,194**	**-**	**266**	**14**	**1,914**	**-**

31 December 2020	*Total SR*	*current SR*	*1–30 days SR*	*31–60 days SR*	*61–90 days SR*	*> 91 days SR*
Expected credit loss rate	0.02%	-	9.35%	-	-	-
Gross carrying amount	3,392,571	3,384,750	7,821	-	-	-
Expected credit loss	732	-	732	-	-	-

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent partners, directors, and key management personnel of the Group and entities controlled or significantly influenced by such parties. Following is the list of related parties of the Group:

Name of related parties	*Nature of relationship*
Insurance House Company ("IHC")	Related party to partners
Suliman Abdullah Suliman Alfallaj	Partner
Muaiyad Abdullah Suliman Alfallaj	Partner
Abuhimed Alsheikh Alhagbani Law Firm (AS&H)	Related party to partners
Arabian Company for Traveller Services	Related party to partners

(a) Related party transactions during the year are as follows;

		Amount of transactions		
		31 December 2021	*31 December 2020*	*1 January 2020*
Related parties	***Nature of Transactions***	***SR***	*SR*	*SR*
Insurance House Company	Revenue	**(75,866,175)**	(43,594,575)	(25,948,670)
	Collection against the revenue	**51,140,619**	32,365,893	26,586,405
	Expenses paid on behalf of the Group	**14,949,608**	11,847,504	9,210,415
	Refunds	**101,378**	(91,939)	(24,825)
Mr. Suliman Abdullah Suliman Alfallaj	Payments on behalf of Group	**(624,003)**	(11,127)	9,189
Abuhimed Alsheikh Alhagbani Law Firm (AS&H)	Legal expense	**283,290**	-	-
Arabian Company for Traveller Services	Travel expenses	**8,100**	-	-
Mr. Muaiyad Abdullah Suliman Alfallaj	Expenses paid on behalf of Group	**-**	(232,116)	(1,784,149)
	Advance from the group	**-**	-	1,982,599

(b) Amount due from a related party:

	31 December 2021	*31 December 2020*	*1 January 2020*
	SR	*SR*	*SR*
Insurance House Company	**9,674,570**	-	-
Mr. Muaiyad Abdullah Sulaiman Alfallaj	**-**	-	232,117
	9,674,570	-	232,117

As the receivable is due from a related party, the credit risk is minimal and the probability of default is very low and hence no provision for expected credit losses is made as at 31 December 2021 and 1 January 2020.

(c) Amounts due to related parties:

	31 December 2021	*31 December 2020*	*1 January 2020*
	SR	*SR*	*SR*
Insurance House Company*	**-**	31,550,227	31,023,344
Mr. Suliman Abdullah Suliman Alfallaj	**-**	624,003	635,130
	-	32,174,230	31,658,474

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

* The amount due to Insurance House Company was converted into long-term loan payable in sixty equal monthly instalments commencing 15 September 2021 based on the agreement signed on 12 August 2021(note 12).

(d) Compensation of key management personnel:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Short term benefits	**3,675,708**	3,512,778	3,526,411
End of service benefits	**133,119**	128,024	93,270
	3,808,827	3,640,802	3,619,681

Pricing policies and terms of payments of transactions with related parties are approved by the management.

8 PROPERTY AND EQUIPMENT

2021	*Computers*	*Equipment*	*Furniture*	*Vehicles*	*Servers and network*	*Work in progress*	***Total***
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***
Cost:							
At 1 January 2021	816,250	133,364	370,493	-	2,360,431	-	**3,680,538**
Additions during the year	380,367	31,642	328,878	154,179	245,000	2,010,442	**3,150,508**
Disposal during the year	-	-	(2,500)	-	-	-	**(2,500)**
At 31 December 2021	1,196,617	165,006	696,871	154,179	2,605,431	2,010,442	**6,828,546**
Depreciation:							
At 1 January 2021	307,925	53,589	157,815	-	817,949	-	**1,337,278**
Charge for the year	227,711	30,676	76,439	20,557	509,698	-	**865,081**
Disposal during the year	-	-	(1,423)	-	-	-	**(1,423)**
At 31 December 2021	535,636	84,265	232,831	20,557	1,327,647	-	**2,200,936**
Net carrying amount:							
At 31 December 2021	**660,981**	**80,741**	**464,040**	**133,622**	**1,277,784**	**2,010,442**	**4,627,610**

8 PROPERTY AND EQUIPMENT (continued)

2020	*Computers*	*Equipment*	*Furniture*	*Servers and network*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Cost:					
At 1 January 2020	596,186	121,241	365,034	1,119,700	2,202,161
Additions during the year	220,064	12,123	5,459	1,240,731	1,478,377
At 31 December 2020	816,250	133,364	370,493	2,360,431	3,680,538
Depreciation:					
At 1 January 2020	127,780	28,094	95,899	444,935	696,708
Charge for the year	180,145	25,495	61,916	373,014	640,570
At 31 December 2020	307,925	53,589	157,815	817,949	1,337,278
Net carrying amount:					
At 31 December 2020	508,325	79,775	212,678	1,542,482	2,343,260

2019	*Computers*	*Equipment*	*Furniture*	*Servers and network*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Cost:					
At 1 January 2019	174,841	51,697	221,173	1,051,047	1,498,758
Additions during the year	421,345	69,544	143,861	68,653	703,403
At 31 December 2019	596,186	121,241	365,034	1,119,700	2,202,161
Depreciation:					
At 1 January 2019	46,780	11,231	50,150	225,842	334,003
Charge for the year	81,000	16,863	45,749	219,093	362,705
At 31 December 2019	127,780	28,094	95,899	444,935	696,708
Net carrying amount:					
At 1 January 2020	468,406	93,147	269,135	674,765	1,505,453

9 INTANGIBLE ASSETS

2021	*Tameeni*	*Awal Mazad*	*Treza IHC Lease*	*Treza Direct Lease*	*Work in progress*	*Jomlah*	***Total***
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***
Cost:							
At 1 January 2021	15,937,995	2,399,477	519,229	574,855	1,144,574	523,047	**21,099,177**
Additions during the year	5,286,586	1,116,342	1,299,312	1,299,311	1,979,984	216,305	**11,197,840**
Write off during the year	-	-	-	-	-	(739,352)	**(739,352)**
At 31 December 2021	21,224,581	3,515,819	1,818,541	1,874,166	3,124,558	-	**31,557,665**
Amortization:							
At 1 January 2021	7,010,537	496,315	15,639	17,037	-	-	**7,539,528**
Charge for the year	3,613,489	584,277	224,201	235,327	-	-	**4,657,294**
At 31 December 2021	10,624,026	1,080,592	239,840	252,364	-	-	**12,196,822**
Net carrying amount:							
At 31 December 2021	**10,600,555**	**2,435,227**	**1,578,701**	**1,621,802**	**3,124,558**	**-**	**19,360,843**

2020	*Tameeni*	*Awal Mazad*	*Treza IHC Lease*	*Treza Direct Lease*	*Warshati*	*Jomlah*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:							
At 1 January 2020	15,947,995	1,196,098	-	-	-	-	17,144,093
Additions during the year	-	1,211,954	519,229	574,855	1,144,574	523,047	3,973,659
Write off during the year	(10,000)	(8,575)	-	-	-	-	(18,575)
At 31 December 2020	15,937,995	2,399,477	519,229	574,855	1,144,574	523,047	21,099,177
Amortization:							
At 1 January 2020	3,822,938	123,853	-	-	-	-	3,946,791
Charge for the year	3,187,599	372,462	15,639	17,037	-	-	3,592,737
At 31 December 2020	7,010,537	496,315	15,639	17,037	-	-	7,539,528
Net carrying amount:							
At 31 December 2020	8,927,458	1,903,162	503,590	557,818	1,144,574	523,047	13,559,649

9 INTANGIBLE ASSETS (continued)

2019	*Tameeni* *SR*	*Awal Mazad* *SR*	*Treza IHC Lease* *SR*	*Treza Direct Lease* *SR*	*Warshati* *SR*	*Jomlah* *SR*	*Total* *SR*
Cost:							
At 1 January 2019	9,306,563	683,818	-	-	-	-	9,990,381
Additions during the year	6,641,432	512,280	-	-	-	-	7,153,712
At 31 December 2019	15,947,995	1,196,098	-	-	-	-	17,144,093
Amortization:							
At 1 January 2019	1,321,620	-	-	-	-	-	1,321,620
Charge for the year	2,501,318	123,853	-	-	-	-	2,625,171
At 31 December 2019	3,822,938	123,853	-	-	-	-	3,946,791
Net carrying amount:							
At 31 December 2019	12,125,057	1,072,245	-	-	-	-	13,197,302

Amortization of intangible assets is charged to cost of sales.

9 INTANGIBLE ASSETS (continued)

Following is the description of the major intangible assets:

- **Tameeni Motors** - Tameeni is the online insurance aggregator in the Kingdom of Saudi Arabia. Tameeni has made it easier and quicker for customers compare quotations and to buy motor insurance anytime and anywhere. Tameeni is integrated with more than 20 insurance companies.
- **Tameeni SME Health –** Similar to Motors, Tameeni Health is also the online insurance aggregator in the Kingdom of Saudi Arabia, supported by Monsha'at. Tameeni SME Health platform provides small and medium enterprises with a wider choice and fully automated experience making their life easier in buying health insurance needs for their employees. Tameeni SME Health is integrated with more than 11 insurance companies. Platform also provides easy and simple experience to add or cancel members or even to cancel a policy. The platform offers immediate and systematic upload to Cooperative Health Insurance Council “CCHI”.
- **Awal Mazad** - Awal Mazad is the online auto auction platform connecting banks and insurance companies with buyers. Empowered with experienced team and innovative technology, it provides one stop solution for individuals and car traders to buy vehicles from multiple sources such as banks and insurance companies.
- **Treza -** Treza is an online leasing insurance platform, that allows lessors to ensure their leased vehicles by providing them with instant quotes from all Insurance Companies. Treza currently helping 16+ banks/financial institutions in KSA to get quotations and issue policies in a seamless process. Through Treza, every lessor has their own customized Treza platform to fulfil their business needs. The seamless connection that Treza provides with the Insurance Companies eliminates any delay or hassle created by using traditional means for purchasing leasing insurance. It does not only end here, Treza offers auto renew the issued policies as per the defined tenure.
- **Jomlah** – During 2021, the management decided to discontinue the project and hence written off.

Below is the major software which are under development as at 31 December 2021 and presented under work in progress:

- **Warshati –** My workshop, it is a concept where customers will be able to generate multiple repair quotations from various registered workshops online. Customers will be able to compare and chose the right option for them through the platform. It is currently under development stage.

10 RIGHT-OF-USE ASSETS AND LEASES LIABILITY

The Group has lease contracts for offices. The Group ’s obligations under its leases are unsecured.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Right of use assets	*Right of use assets*	*Right of use assets*
	31 December 2021	*31 December 2020*	*1 January 2020*
	SR	*SR*	*SR*
At the beginning of the year	**604,338**	704,796	-
Additions	**4,219,362**	291,153	704,796
Depreciation	**(534,505)**	(391,611)	-
Disposal of asset	**(194,658)**	-	-
At the end of the year	**4,094,537**	604,338	704,796

10 RIGHT-OF-USE ASSETS AND LEASES LIABILITY (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
At the beginning of the year	**513,723**	603,120	-
Accretion of interest	**75,684**	59,387	-
Additions	**4,219,362**	291,153	603,120
Disposal of asset	**(194,658)**	-	-
Payments	**(550,977)**	(439,937)	-
At the end of the year	**4,063,134**	513,723	603,120
Current	**1,732,664**	283,706	422,287
Non-current	**2,330,470**	230,017	180,833
	4,063,134	513,723	603,120

Below is the maturity analysis of undiscounted lease liabilities:

	Total	**Within 1 Year**	**1-3 years**
For the year ended	***SR***	***SR***	***SR***
31 December 2021			
Lease payments - Gross	**4,552,456**	**1,941,328**	**2,611,128**
Finance costs	**(489,322)**	**(208,664)**	**(280,658)**
Net present value	**4,063,134**	**1,732,664**	**2,330,470**

	Total	*Within 1 Year*	*1-3 years*
For the year ended	*SR*	*SR*	*SR*
31 December 2020			
Lease payments - Gross	573,110	316,503	256,607
Finance costs	(59,387)	(32,797)	(26,590)
Net present value	513,723	283,706	230,017

The following are the amounts recognized in consolidated statement of comprehensive income:

	31 December 2021 SR	*31 December 2020 SR*
Depreciation expense of right-of-use assets	**534,505**	391,611
Finance costs on lease liabilities	**75,684**	59,387
Loss on disposal	**49,568**	-
Consolidated statement of comprehensive income	**659,757**	450,998

The Group had total cash outflows for leases of SR 550,977 in 2021 (2020: SR 439,937). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 4,219,362 in 2021 (2020: SR 291,153).

11 TRADE AND OTHER PAYABLES

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Trade payables	**7,313,311**	378,450	1,415,581
Accruals and other payables	**6,413,621**	3,583,563	1,827,915
VAT Payable	**977,585**	1,356,575	25,148
Refundable deposits	**654,000**	626,000	380,000
Accrued salaries and benefits	**85,210**	89,255	58,701
Advances from customers	**7,820**	7,820	400,000
Withholding tax	**2,087**	204,818	550,080
	15,453,634	6,246,481	4,657,425

Trade payables are non-interest bearing and are normally settled on 30-60 days terms.

12 LOAN PAYABLE TO A RELATED PARTY

Amount due to a related party of SR 31,550,227 as at 31 December 2020 was converted into long-term loan payable in sixty equal monthly instalments commencing 15 September 2021 and maturing on 15 September 2026 based on the agreement signed on 12 August 2021. During the year, SR 5,171,920 was settled against lease receivables from the same related party - Insurance House Company. The loan does not carry any interest rate and hence its interest free. As required by IFRS 9, fair value of loan has been determined and Day one gain and subsequent unwinding impact is recorded in consolidated statement of comprehensive income.

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Loan payable to Insurance House Company (IHC)	**31,550,227**	-	-
Adjustment of lease receivable against IHC	**(5,171,920)**	-	-
Payable to IHC	**26,378,307**	-	-
Day one gain on fair valuation of loan (note 22)	**(4,424,699)**	-	-
Finance costs	**540,620**	-	-
Balance as at 31 December	**22,494,228**	-	-
Current	**3,241,474**	-	-
Non-current	**19,252,754**	-	-
	22,494,228	-	-

13 ZAKAT

Charge for the year
The zakat charge amounting to SR 1,505,938 (2020: SR 310,023) consists of current year's provision.

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

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
At the beginning of the year	**310,023**	113,985	-
Provided during the year	**1,505,938**	310,023	113,985
Paid during the year	**(323,499)**	(113,985)	-
At the end of the year	**1,492,462**	310,023	113,985

The difference between the income as per consolidated statement of comprehensive income and the income subject to zakat is primarily due to the disallowance of certain items in the zakat calculation of zakatable income.

Status of assessments
The Group submit zakat return on standalone basis for the Company and its local subsidiary separately. Below is the status of assessment of the Company and its subsidiaries.

Rasan Information Technology Company
The Company has submitted its zakat return for the year ended 31 December 2021 and all prior years to Zakat, Tax and Custom Authority ("ZATCA"). Zakat returns up to the year ended 31 December 2020 are finalized by ZATCA. Zakat assessment for 2021 is yet to be reviewed by ZATCA.

Rasan Software House LLC
The company is not subject to income tax in United Arabia Emirates.

Awal Mozawadah LLC
The company has submitted its zakat return for the year ended 31 December 2020 and all prior years to ZATCA. Zakat assessment for all years is yet to be reviewed by ZATCA.

Rasan Egypt
The company has submitted its Tax returns for all prior years up to 31 December 2021 to Egyptian Tax Authority. Tax assessment for all years is yet to be reviewed by Egyptian Tax Authority.

14 EMPLOYEES' DEFINED BENEFIT LIABILITIES

a) Net benefit expense recognized in the consolidated statement of comprehensive income:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Current service cost	**621,426**	1,018,533	1,192,833
	621,426	1,018,533	1,192,833

b) Changes in the present value of the defined benefit obligation:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Employees' benefits at the beginning of the year	**2,406,770**	1,414,708	227,006
Current service cost	**621,426**	1,018,533	1,192,833
Benefits paid	**(325,474)**	(26,471)	(5,131)
Employees' benefits at the end of the year	**2,702,722**	2,406,770	1,414,708

14 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

c) Significant assumptions

	31 December 2021 **%**	*31 December 2020* %	*1 January 2020* %
Discount rate	**3.15**	3.15	3.15
Future salary increases	**5.00**	5.00	5.00
Death in service	**100% SLIC (2016)**	100% SLIC (2016)	100% SLIC (2016)
Withdrawal before normal retirement life	**Age based**	Age based	Age based

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December:

2021		***Impact on employees' end-of-service benefits***	
Sensitivity level	***Change in assumption***	***Increase in assumption***	***Decrease in assumption***
Discount rate	1%	(388,118)	481,533
Future salary increases	1%	474,822	(383,554)

2020		*Impact on employees' end-of-service benefits*	
Sensitivity level	*Change in assumption*	*Increase in assumption*	*Decrease in assumption*
Discount rate	1%	(357,069)	443,010
Future salary increases	1%	436,836	(352,870)

15 CAPITAL

Capital at the end of year 2020 was SR 3,000,000. It was divided into 1,000 shares of SR 3,000 each.

In October 2021, the Company increased its capital to SR 25,500,000 through cash injection of SR 22,500,000. The legal formalities to increase the capital was completed during the year. Capital is divided into 2,550,000 shares of SR 10 each.

The partners of the Company are as follows:

	2021		*2020*	
	Number of shares	***Ownership %***	*Number of shares*	*Ownership %*
Muhaidib Ali Mohammed Almuhaidib	**553,302**	**21.70%**	370	37.00%
Impact funds for financial Technology company	**494,700**	**19.40%**	-	-
Theeb Bin Hdaiban Bin Ghalab Al Mutairi	**360,849**	**14.15%**	-	-
Mohammed Muhaideb Ali Almuhaideb	**168,396**	**6.60%**	130	13.00%
Assets custody development impact company for communications and IT	**144,340**	**5.66%**	-	-
Fahad Ahmad Mohammed Abu Hemaid	**125,094**	**4.90%**	-	-
Muaiyad Abdullah Suliman Alfallaj	**123,073**	**4.83%**	83	8.30%
Abdulrahman Abdullah Abdulrahman Ayban	**123,073**	**4.83%**	83	8.30%
Majed Abdullah Mohammed Al Bawari	**123,074**	**4.83%**	-	-
Sami Muhaidib Ali Al Muhaidib	**120,283**	**4.72%**	-	-
Ayman Abdullah Suliman Al Fallaj	**56,774**	**2.23%**	-	-
Suliman Abdullah Suliman Alfallaj	**56,774**	**2.23%**	251	25.10%
Thamer Abdullah Suliman Alfallaj	**56,774**	**2.23%**	83	8.30%
AbdulElah Mohammed Maneea Alghofaili	**43,494**	**1.70%**	-	-
	2,550,000	**100%**	1,000	100%

16 STATUTORY RESERVES

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company must transfer 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

17 EARNINGS PER SHARE

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2021	*2020*
	SR	*SR*
Net income for the year	**35,279,886**	571,945
Weighted average number of shares for basic and diluted EPS	**1,815,116**	1,000
Earnings per share	**19.437**	571.945

18 REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue

Below is the disaggregation of revenue by product:	***2021***	*2020*
	SR	*SR*
Tameeni	**68,804,423**	41,721,372
Treza Leasing	**16,957,242**	321,164
Awal Mazad	**1,137,251**	1,326,263
Total revenue	**86,898,916**	43,368,799

Tameeni gross revenue before discounts amounts to SR 69,885,932 (2020: SR 41,974,564).

Timing of revenue recognition
All revenue is recognized at a point in time

Performance obligations
The performance obligation is satisfied upon providing services to the customers.

19 COST OF SALES

	2021	*2020*
	SR	*SR*
Data validation and other direct cost	**13,880,430**	9,377,197
Amortization of intangible assets (note 9)	**4,657,294**	3,592,737
Bank charges	**3,812,615**	2,109,808
Employees’ salaries and other benefits	**2,398,734**	5,093,836
Communication expenses	**1,300,000**	928,072
	26,049,073	21,101,650

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Manpower cost and other employee benefits	**12,358,138**	11,215,017
IT licenses, subscriptions & maintenance cost	**1,933,776**	1,319,368
Professional & legal Fee	**974,573**	2,448,842
Depreciation of property and equipment (note 8)	**865,081**	640,570
Rental charges	**806,581**	201,617
Write-off of intangible assets related to discontinued project (note 9)	**739,352**	-
Employees' defined benefit liabilities (note 14)	**621,426**	1,018,533
Depreciation of right of use assets (note 10)	**534,505**	391,611
Utilities and communication	**316,447**	257,422
Withholding tax	**190,747**	240,603
Other expenses	**1,938,639**	980,637
	21,279,265	18,714,220

21 FINANCE COSTS

	2021	*2020*
	SR	*SR*
Finance costs on loan from a related party (unwinding impact) (note 12)	**540,620**	-
Finance costs on lease liabilities (note 10)	**75,684**	59,387
Bank charges	**68,581**	24,029
	684,885	83,416

22 OTHER INCOME

	2021	*2020*
	SR	*SR*
Day one gain on fair valuation of loan (note 12)	**4,424,699**	**-**
Others	**1,833**	398,462
	4,426,532	398,462

23 CONTINGENCIES AND COMMITMENTS

There are no major contingencies and commitments reported as at the date of consolidated statement of financial position.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and bank balance that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management provides assurance to the Board of Directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans. There were no changes in these circumstances from the previous year.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group 's exposure to the risk of changes in foreign exchange rates relates primarily to the Group 's operating activities (when purchase or expense is denominated in a foreign currency).

Foreign currency sensitivity

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As there is no any significant fluctuation between the United Arab Emirates Dirhams (AED) and Egyptian pound (EGP) the Group is not exposed to any significant currency risk.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Group is not exposed to the price risk because Group does not hedge in any commodity market nor it has any investments in equity instruments.

iii) Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Group's is not exposed to interest rate risk as there are no loans with floating interest rates.

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables other current financial assets and related parties' balances) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed according to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 6. The Group does not hold collateral as security.

Credit risk from balances with banks and is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the senior management on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables (continued)

As at 31 December 2021 and 31 December 2020, credit risk exposure on the Group's trade receivables is as follows:

				Past due and impaired		
	Total *SR*	*Current* *SR*	*1-30 days* *SR*	*31 – 60 Days* *SR*	*61 – 90 days* *SR*	*Greater than 90 days* *SR*
31 December 2021						
Expected credit loss rate	**0.02%**	**-**	**0.03%**	**0.03%**	**0.03%**	-
Carrying amount	**10,280,101**	**3,284,237**	**835,453**	**46,012**	**6,114,399**	**-**
Expected credit loss	**2,194**	**-**	**266**	**14**	**1,914**	**-**
31 December 2020						
Expected credit loss rate	0.02%	-	9.35%	-	-	-
Carrying amount	3,392,571	3,384,750	7,821	-	-	-
Expected credit loss	732	-	732	-	-	-

c) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group 's reputation. The Group continuously monitors its risk of a shortage of funds.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and loans from partners.

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

31 December 2021	***Total*** ***SR***	***Less than 1 month*** ***SR***	***1 – 3 months*** ***SR***	***3 – 6 months*** ***SR***	***6 months – 1 year*** ***SR***	***More than 1 year*** ***SR***
Loan from related parties	**26,378,307**	**-**	**-**	**612,288**	**3,155,022**	**22,610,997**
Trade and other payable	**7,313,311**	**7,313,311**	**-**	**-**	**-**	**-**
Lease liability	**4,552,469**	**356,797**	**178,719**	**528,348**	**710,651**	**2,777,954**
	38,244,087	**7,670,108**	**178,719**	**1,140,636**	**3,865,673**	**25,388,951**

31 December 2020	*Total* *SR*	*As on Demand*	*Less than 1 month* *SR*	*1 – 3 months* *SR*	*3 – 6 months* *SR*	*6 months – 1 year* *SR*	*More than 1 year* *SR*
Trade and other payable	378,450	-	378,450	-	-	-	-
Amounts due to related parties	32,174,230	32,174,230	-	-	-	-	-
Lease liability	1,360,970	-	38,141	114,425	131,020	278,634	798,750
	33,913,650	32,174,230	416,591	114,425	131,020	278,634	798,750

25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

25.1 FINANCIAL ASSETS

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Financial assets at amortized cost:			
Trade receivables	**10,277,907**	3,391,839	-
Due from related parties	**9,674,570**	-	232,117
Other current financial assets	**1,580,959**	1,835,793	1,384,053
	21,533,436	5,227,632	1,616,170
Bank balances and cash	**35,278,462**	2,413,651	3,361,436
Total financial assets	**56,811,898**	7,641,283	4,977,606

25.2 FINANCIAL LIABILITIES

	Effective Interest rate	***Maturity***	***31 December 2021 SR***	*31 December 2020 SR*	*1 January 2020 SR*
Current liabilities					
Trade payables and other payables	Interest free	Less than 1 year	**7,313,311**	378,450	1,415,581
Lease liabilities	6.50% -10.50%	Less than 1 year	**1,732,664**	283,706	422,287
Loan from related parties	7%	Less than 1 year	**3,241,474**	-	-
Due to related parties	Interest free	Less than 1 year	**-**	32,174,230	31,658,474
			12,287,449	32,836,386	33,496,342
Non-current liabilities					
Lease liabilities	6.50% -10.50%		**2,330,470**	230,017	180,833
Loan from related parties	7%		**19,252,754**	-	-
			21,583,224	230,017	180,833

25.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021 SR	***Cash flows SR***	***New lease SR***	***Others SR***	***31 December 2021 SR***
Lease liabilities	**513,723**	**(550,977)**	**4,219,362**	**(118,974)**	**4,063,134**
Total liabilities from financing activities	**513,723**	**(550,977)**	**4,219,36٢**	**(118,97٤)**	**4,063,134**

	1 January 2020 SR	*Cash flows SR*	*New lease SR*	*Others SR*	*31 December 2020 SR*
Lease liabilities	603,120	(439,937)	291,153	59,387	513,723
Total liabilities from financing activities	603,120	(439,937)	291,153	59,387	513,723

26 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve, and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure.

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

The Group's is not subject to any external imposed capital requirements and following is the elements of capital that are managed by the Group:

	31 December 2021 SR	*31 December 2020 SR*	*1 January 2020 SR*
Trade and other payables	**15,453,634**	6,246,481	4,657,425
Amounts due to related parties	**-**	32,174,230	31,658,474
Loan payable to a related party	**22,494,228**	-	-
Zakat payable	**1,492,462**	310,023	113,985
Lease liability	**4,063,134**	513,723	603,120
Employees' defined benefits liabilities	**2,702,722**	2,406,770	1,414,708
Less: Bank balances and cash	**(35,278,462)**	(2,413,651)	(3,361,436)
	10,927,718	39,237,576	35,086,276
Equity	**40,294,378**	(17,502,697)	(18,062,555)
Capital and net debt	**51,222,096**	21,734,879	17,023,721
Gearing ratio	**21%**	181%	206%

27 SEGMENT INFORMATION

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c. for which discrete financial information is available.

For management purposes, the Group is organised into the following primary operating segments:

	31 December 2021 SR	*31 December 2020 SR*
Tameeni - Motors	**63,313,855**	40,368,150
Tameeni - Health	**5,490,568**	1,353,222
Leasing	**16,957,242**	321,164
Awal Mazad	**1,137,251**	1,326,263
Total revenue	**86,898,916**	43,368,799
Total cost of revenues	**(26,049,073)**	(21,101,650)
Expenses	**(24,064,019)**	(21,385,181)
Segment profit before zakat	**36,785,824**	881,968

	Tameeni - Motors SR	***Leasing SR***	***Awal Mazad SR***	***Unallocated SR***	***Total SR***
At 31 December 2021					
Total assets	**29,249,804**	**4,348,423**	**2,645,102**	**50,257,229**	**86,500,558**
Total liabilities	**-**	**-**	**-**	**46,206,180**	**46,206,180**
At 31 December 2020					
Total assets	12,276,537	1,061,407	1,946,747	8,863,839	24,148,530
Total liabilities	-	-	-	41,651,227	41,651,227

Details of the above segments are disclosed in note 9 to the financial statements.

The Group only operates in the Kingdom of Saudi Arabia where majority of operating assets are held. Therefore, no geographical segment information are presented.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances, accounts receivable and amounts due from related parties.

Financial liabilities consist of trade and other payables, loan payable to related party and amounts due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

29 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a) Standards issued and effective during the year
The standards and interpretations that were effective in 2021 do not have significant impact on the Group's consolidated financial statements. Below is the list of the amended standards and interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

b) Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements is disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The management believes that the standard will not have significant impact on the consolidated financial statements.

Amendments to IAS 16: Property, Plant and Equipment – proceeds before intended use
In May 2020, the IASB issued property, plant and equipment – proceeds before intended use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The management believes that the standard will not have significant impact on the financial statements

29 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Amendments to IFRS 9: Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which its first applies the amendments.

Amendments to IFRS 3: Reference to the Conceptual framework
In May 2020, the IASB issued Amendments to IFRS 3 Business combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the framework for the preparation and presentation of financial statements, issued in 1989, with a reference to the conceptual framework for financial reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent asset that would not be affected by replacing the reference to the framework for the preparation and presentation of financial statements. The amendments are effective for annual reporting periods beginning on or after I January 2022 and apply prospectively.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

29 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Amendments to IAS 37: Onerous Contracts – Cost of fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "direct related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group expects that the amendments will not have significant impact on the financial statements.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

30 FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA

As fully described in note 2, the Group has issued its statutory consolidated financial statements for the year ended 31 December 2021 under IFRS for SMEs as endorsed in KSA and that on 1 November 2022, the partners of the Company appointed financial advisors to go for IPO. As per recommendations of the Capital Market Authority (CMA), the Group was requested to prepare its consolidated financial statements for the year ended 31 December 2021 under IFRS as endorsed in KSA. These consolidated financial statements for the year ended 31 December 2021 are the first consolidated financial statements, the Group has prepared in accordance with IFRS as endorsed in KSA. Accordingly, the Group has prepared consolidated financial statements that comply with IFRS as endorsed in KSA applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the basis of preparation. In preparing the consolidated financial statements, the Group's opening statement of consolidated financial position was prepared as at 1 January 2020, the Group's date of transition to IFRS as endorsed in KSA. This note explains the principal adjustments made by the Group in restating its consolidated financial statements from IFRS for SMEs as endorsed in KSA to full IFRS as endorsed in KSA, including the statement of financial position as at 1 January 2020.

Exemptions Applied
IFRS "First time adoption of International Financial Reporting Standards" as endorsed in KSA allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS as endorsed in KSA. The Group has not availed any exemption available at the first-time adoption.

Significant adjustments in transition from IFRS for SMEs as endorsed in KSA to IFRS as endorsed in KSA are as follows:

30 FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

30.1 Impact of adoption of IFRS on the consolidated statement of financial position as at 1 January 2020 (date of transition to IFRS as endorsed in KSA)

	Note	*Amounts previously reported under IFRS for SMEs as endorsed in KSA*	*Remeasurements*	*Balance as per IFRS as endorsed in KSA 1 January 2020*
		SR	*SR*	*SR*
ASSETS				
CURRENT ASSETS				
Cash and bank balances		3,361,436	-	3,361,436
Trade receivables, prepayments and other assets	30.5 (a)	1,485,730	(101,677)	1,384,053
Amount due from a related party		232,117	-	232,117
TOTAL CURRENT ASSETS		5,079,283	(101,677)	4,977,606
NON-CURRENT ASSETS				
Property and equipment		1,505,453	-	1,505,453
Intangible assets		13,197,302	-	13,197,302
Right-of-use assets	30.5 (b)	-	704,796	704,796
TOTAL NON-CURRENT ASSETS		14,702,755	704,796	15,407,551
TOTAL ASSETS		19,782,038	603,119	20,385,157
LIABILITIES AND PARTNERS' DEFICIT				
CURRENT LIABILITIES				
Trade and other payables		4,657,425	-	4,657,425
Amounts due to related parties		31,658,474	-	31,658,474
Zakat payable		113,985	-	113,985
Lease liability – current	30.5 (b)	-	422,287	422,287
TOTAL CURRENT LIABILITIES		36,429,884	422,287	36,852,171
NON-CURRENT LIABILITIES				
Employees' defined benefits liabilities	30.5 (c)	444,024	970,684	1,414,708
Lease liability – non-current portion	30.5 (b)	-	180,833	180,833
TOTAL NON-CURRENT LIABILITIES		444,024	1,151,517	1,595,541
TOTAL LIABILITIES		36,873,909	1,573,803	38,447,712
PARTNERS' DEFICIT				
Capital		3,000,000	-	3,000,000
Accumulated losses	30.4	(20,089,890)	(970,684)	(21,060,574)
Currency translation reserve		(1,981)	-	(1,981)
TOTAL PARTNERS' DEFICIT		(17,091,871)	(970,684)	(18,062,555)
TOTAL LIABILITIES AND PARTNERS' DEFICIT		19,782,038	603,119	20,385,157

30 FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

30.2 Impact of adoption of IFRS on the consolidated statement of financial position as at 31 December 2020

	Note	*Amounts previously reported under IFRS for SMEs as endorsed in KSA* *SR*	*Remeasurements* *SR*	*Balance as per IFRSs as endorsed in KSA 31 December 2020* *SR*
ASSETS				
CURRENT ASSETS				
Cash and bank balances	30.5 (a)	2,414,603	(952)	2,413,651
Trade receivables, prepayments and other assets	30.5 (a)	5,335,323	(107,691)	5,227,632
TOTAL CURRENT ASSETS		7,749,926	(108,643)	7,641,283
NON-CURRENT ASSETS				
Property and equipment		2,343,260	-	2,343,260
Intangible assets		13,559,649	-	13,559,649
Right-of-use assets	30.5 (b)	-	604,338	604,338
TOTAL NON-CURRENT ASSETS		15,902,909	604,338	16,507,247
TOTAL ASSETS		23,652,835	495,695	24,148,530
LIABILITIES AND PARTNERS' DEFICIT				
CURRENT LIABILITIES				
Trade and other payables	30.5 (e)	6,197,869	48,612	6,246,481
Amounts due to related parties		32,174,230	-	32,174,230
Zakat payable		310,023	-	310,023
Lease liability – current	30.5 (b)	-	283,706	283,706
TOTAL CURRENT LIABILITIES		38,682,122	332,318	39,014,440
NON-CURRENT LIABILITIES				
Employees' defined benefits liabilities	30.5 (c)	731,568	1,675,202	2,406,770
Lease liability - non current portion	30.5 (b)	-	230,017	230,017
TOTAL NON-CURRENT LIABILITIES		731,568	1,905,219	2,636,787
TOTAL LIABILITIES		39,413,690	2,237,537	41,651,227
PARTNERS' DEFICIT				
Capital		3,000,000	-	3,000,000
Statutory reserve	30.5 (e)	900,000	15,811	915,811
Accumulated losses	30.4	(19,654,960)	(1,749,480)	(21,404,440)
Currency translation reserve	30.5 (e)	(5,896)	(8,172)	(14,068)
TOTAL PARTNERS' DEFICIT		(15,760,856)	(1,741,841)	(17,502,697)
TOTAL LIABILITIES AND PARTNERS' DEFICIT		23,652,834	495,696	24,148,530

30 FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

30.3 Impact of adoption of IFRS on consolidated statement of profit or loss for the year ended 31 December 2020

	Note	*Amounts previously reported under IFRS for SMEs as endorsed in KSA* *SR*	*Remeasurements / reclassifications* *SR*	*Balance as per IFRS as endorsed in KSA* *SR*
Revenue from contract with customers	30.5(d)	59,993,666	(16,624,867)	43,368,799
Direct cost	30.5(d)	(37,726,517)	16,624,867	(21,101,650)
GROSS PROFIT		22,267,149	-	22,267,149
General and administrative expenses	30.5 (a, b & c)	(18,074,829)	(639,391)	(18,714,220)
Marketing expenses		(2,986,007)	-	(2,986,007)
INCOME FROM OPERATIONS		1,206,313	(639,391)	566,922
Finance costs	30.5(b)	-	(83,416)	(83,416)
Other income		398,462	-	398,462
ROFIT BEFORE ZAKAT		1,604,775	(722,807)	881,968
Zakat		(310,023)	-	(310,023)
NET PROFIT FOR THE YEAR		1,294,752	(722,807)	571,945
Other comprehensive loss	30.5 (e)	(3,915)	(8,172)	(12,087)
TOTAL COMPREHENSIVE INCOME		1,290,837	(730,979)	559,858

30.4 Impact of adoption of IFRS on total partners' deficit

		31 December 2020 *SR*	*1 January 2020* *SR*
Total partners' equity (deficit) reported under IFRS for SMEs as endorsed in KSA		**(21,060,574)**	(20,089,890)
Total comprehensive income reported before conversion		**1,294,752**	-
Allowance for expected credit losses – IFRS 9	**30.5(a)**	**(1,681)**	-
Restatement of employees' defined benefits liabilities – IAS 19	**30.5(c)**	**(704,491)**	(970,684)
Adoption of Lease – IFRS 16	**30.5(b)**	**(16,635)**	-
Total partners' equity (deficit) under IFRS as endorsed in KSA		**(20,488,629)**	(21,060,574)

Reconciliation of statement of cash flows for the year ended 31 December 2020
No major impact of the conversion from IFRS for SMEs as endorsed in KSA to IFRS as endorsed in KSA in the consolidated statement of cash flows.

30.5 Index to the notes to the Remeasurements

a) Allowance for expected credit losses
Under IFRS as endorsed in KSA, impairment of financial assets is based on an expected credit loss model where credit losses are recognized prior to a credit event occurring, as was the case under the incurred loss model. The new impairment model requires more timely and forward-looking information that will allow for a more accurate reflection of the credit risk inherent in the exposures.

30 FIRST-TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)

30.5 Index to the notes to the Remeasurements (continued)

b) IFRS 16 - Leases

Under IFRS as endorsed in KSA, the Group adopted the IFRS 16, Leases and accordingly recognized the Right of use assets and lease liabilities.

c) Actuarial valuation of employees' end-of-service benefits

Under IFRS as endorsed in KSA, employees' defined benefit liabilities are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates.

d) IFRS 15 - Revenue from contracts with customers

Under IFRS as endorsed in KSA, the Group adopted the IFRS 15 - Revenue from contracts with customers, and accordingly assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. Management concluded that the Group acts as a principal for all revenue arrangements, except for revenue arrangements related to auto auction services for which the Group concluded it acts as an agent under such arrangements.

e) Other adjustments

As a result of transition from IFRS from SME as endorsed in KSA to IFRS as endorsed in KSA, the amounts previously reported has been changed which result in change in statutory reserve and currency translation reserve.

31 EVENTS AFTER REPORTING PERIOD

Subsequent to the year ended 31 December 2021, the Company legal status has been changed from a limited liability company to closed joint stock company.

Other than above, no events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by Board of Directors on 27 June 2023 (corresponding to 9 Dhu Al-Hijjah 1444).