

**AXELERATED SOLUTIONS INFORMATION
AND COMMUNICATION TECHNOLOGY COMPANY**
(Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
And the Independent Auditor's Report

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

Consolidated Financial Statements

For the year ended 31 December 2023

INDEX

INDEPENDENT AUDITOR'S REPORT	1-3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9-42

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS/ AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(1/3)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Axelerated Solutions Information And Communication Technology Company (the "Company") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the Company, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statements of profit or loss for the year ended;
- The consolidated statement of other comprehensive income for the year ended;
- The consolidated statement of changes in shareholders equity for the year ended;
- The consolidated statement of cash flows for the year t ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies.

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 code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements for the year ending 31 December 2022 AD were audited by another auditor, who expressed an unmodified opinion on 1 May 2023 AD (corresponding to 11 Shawwal 1444 AH).

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS/ AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(2/3)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risk 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 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.

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS/ AXELERATED SOLUTIONS INFORMATION
AND COMMUNICATION TECHNOLOGY COMPANY**

(3/3)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

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

For Al-Bassam & Co.

Ahmed A Mohandis
Certified Public Accountant
License No.: 477
Riyadh: 12 Dhul Qadah 1445
Corresponding to: 20 May 2024



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**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the 31 December 2023

(All Amounts in SAR)

	Note	31 December 2023	31 December 2022
ASSETS			
Non-Current Assets			
Property and equipment	6	598,764	875,825
Right-of-use assets	7	447,479	856,008
Total Non-Current Assets		1,046,243	1,731,833
Current Assets			
Contract assets	2-17	68,300,422	33,161,652
Prepayments and other assets	8	10,511,632	3,014,545
Accounts receivable	9	86,591,591	58,307,713
Cash and cash equivalents	10	50,558,093	63,892,775
Total Current Assets		215,961,738	158,376,685
TOTAL ASSETS		217,007,981	160,108,518
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	11	25,000,000	25,000,000
Statutory reserve	12	6,307,368	6,307,368
Retained earnings		89,210,921	54,380,459
Remeasurement of defined benefits plan		(373,624)	(99,209)
TOTAL SHAREHOLDERS' EQUITY		120,144,665	85,588,618
LIABILITIES			
Non-Current Liabilities			
Employees' benefit obligations	13	2,826,142	1,566,176
Lease liabilities – non-current portion	7	228,232	453,836
Total Non-Current Liabilities		3,054,374	2,020,012
Current Liabilities			
Lease liabilities – current portion	7	226,085	444,595
Trade payables	14	68,769,438	53,790,842
Accruals and other liabilities	15	21,405,673	15,932,730
Zakat provision	16	3,407,746	2,331,721
Total Current Liabilities		93,808,942	72,499,888
TOTAL LIABILITIES		96,863,316	74,519,900
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		217,007,981	160,108,518
Contingencies and capital commitments	26	219,732,872	177,237,143



Chairman
Abdullah AlOsaili

Chief Executive Officer
Ahmed AlOsaili

Chief Financial Officer
Muhammad Al-Rubaian

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(All Amounts in SAR)

	Note	31 December 2023	31 December 2022
REVENUE			
Revenue	17	270,863,586	270,100,163
Cost of revenue	18	(214,898,775)	(221,303,349)
Gross profit		55,964,811	48,796,814
EXPENSES			
General and administrative expenses	19	(8,730,099)	(5,626,007)
Selling and marketing expenses	20	(2,985,012)	(1,876,797)
ECL provision on contract assets	2-17	(3,346,025)	-
ECL provision on accounts receivable	9	(896,304)	(1,979,404)
Loss on disposal of property, plant, and equipment		-	(689)
Operating income		40,007,371	39,313,917
Finance costs	21	(613,573)	(364,872)
Deposit returns		154,644	-
Other income	22	2,689,438	1,467,691
Income for the year before zakat		42,237,880	40,416,736
Zakat	16	(3,407,418)	(2,330,582)
Prior years' Zakat differences		-	(2,564)
Net income for the year		38,830,462	38,083,590
Earnings per share:			
Basic earnings per share (SAR)		1,55	1,52



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**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(All Amounts in SAR)

	Note	<u>For the year ended 31 December 2023</u>	<u>For the year ended 31 December 2022</u>
Net income for the year		38,830,462	38,083,590
Items that will not be reclassified to the statement of income in the subsequent year:			
- Remeasurement Losses on employees' defined benefit obligations	13	(274,415)	(170,131)
Total comprehensive income for the year		<u>38,556,047</u>	<u>37,913,459</u>



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AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

(All Amounts in SAR)

	Note	Share Capital	Statutory Reserve	Retained earnings	Remeasurement of employees' defined benefit obligations	Total
Balance at 1 January 2022		25,000,000	2,498,292	22,105,945	70,922	49,675,159
Net income for the year		-	-	38,083,590	-	38,083,590
Other comprehensive loss for the year		-	-	-	(170,131)	(170,131)
Total comprehensive income		-	-	38,083,590	(170,131)	37,913,459
Transferred to statutory reserve		-	3,809,076	(3,809,076)	-	-
Dividends	30	-	-	(2,000,000)	-	(2,000,000)
Balance at 31 December 2022		25,000,000	6,307,368	54,380,459	(99,209)	85,588,618
Balance at 1 January 2023		25,000,000	6,307,368	54,380,459	(99,209)	85,588,618
Net income for the year		-	-	38,830,462	-	38,830,462
Other comprehensive loss for the year		-	-	-	(274,415)	(274,415)
Total comprehensive income		-	-	38,830,462	(274,415)	38,556,047
Transferred to statutory reserve		-	-	-	-	-
Dividends	30	-	-	(4,000,000)	-	(4,000,000)
Balance at 31 December 2023		25,000,000	6,307,368	89,210,921	(373,624)	120,144,665



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AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All Amounts in SAR)

	Note	31 December 2023	31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before zakat		42,237,880	40,416,736
Non-cash item adjustments:			
Depreciation of property and equipment	6	632,733	568,574
ECL provision on contract assets	17-2	3,346,025	-
ECL provision on accounts receivable	9	896,304	1,979,404
Depreciation of right-of-use assets	7	408,529	428,911
Loss on disposal of property and equipment		-	689
Provision for employees' benefit obligations	13	1,085,621	740,101
Finance costs for management fees	21	499,997	280,441
Finance costs for lease Liabilities	7	25,870	42,762
Net changes in operating assets and liabilities		49,132,959	44,457,618
Changes in operating assets and liabilities:			
Contract assets		(38,484,795)	(28,125,245)
Accounts receivable		(29,180,182)	12,710,597
Prepayments and other assets		(7,497,087)	3,061,967
Trade payables		14,978,596	28,056,059
Accruals and other liabilities		5,472,943	(6,584,282)
Net cash (used in) / generated from operations		(5,577,566)	53,576,714
Employees' benefit obligations paid	13-1	(100,070)	(88,138)
Zakat paid	16	(2,331,393)	(1,328,410)
Net cash (used in) / generated from operating activities		(8,009,029)	52,160,166
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(355,672)	(435,028)
Proceeds from disposal of property and equipment		-	1,577
Net cash used in investing activities		(355,672)	(433,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings paid		-	(1,049,561)
Lease liabilities Paid		(469,984)	(371,000)
Finance costs for management fees paid	21	(499,997)	(280,441)
Dividends paid	30	(4,000,000)	(2,000,000)
Net cash used in financing activities		(4,969,981)	(3,701,002)
Net (decrease) / increase in cash and cash equivalents		(13,334,682)	48,025,713
Cash and cash equivalents at beginning of the year		63,892,775	15,867,062
Cash and cash equivalents at end of the year		50,558,093	63,892,775

Non-Cash Transactions:

Right-of-use assets - 445,529



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AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

1. ORGANIZATION AND PRINCIPAL ACTIVITY

Axelerated Solutions Information and Communication Technology Company “the Company” is a Saudi Closed Joint Stock Company. It was incorporated in the Kingdom of Saudi Arabia, Riyadh, on 21 Dhu al-Hijjah 1436 AH (4 October 2015), under the commercial register No. 1010437776.

The Company is principally involved in the following activities:

General Scope of Business Activities	Activity
Information and Communication	System analysis Application development Administration and monitoring services of information and communication network infrastructure (The activity is contingent on a license from Communications, Space and Technology Commission) Cyber security Development of core infrastructure for web hosting and associated data management services
Other services	Technical support and maintenance for personal computers across models .(The activity is contingent on a license from Communications, Space and Technology Commission)
Trade activities including wholesale and retail, as well as the servicing and repair of motor vehicles and motorcycles.	Wholesale trade in computer equipment and supplies, including printers and ink supplies The retail sales of computer equipment and supplies, including printers and ink supplies

The consolidated financial statements include the accounts of Axelerated Solutions Information and Communication Technology Company (the “Holding Company”) and its directly owned subsidiary (referred to as “the Subsidiary”).

Subsidiary	Incorporation country	Legal Form	Effective Ownership Percentage (Direct)
Alpha Information System Co.	KSA	LLC	%100

Alpha Information Technology Co. (“the company”) is a Saudi Limited Liability Company, registered in Riyadh, Kingdom of Saudi Arabia. The company engages in its operations under the commercial register No. 1010699480 dated 29 Sha’ban 1442 AH (11 April 2021).

The company is principally involved in the following activities:

General Scope of Business Activities	Activity
Information and Communication	System analysis Development of user interaction interface and user experience Cyber security
Trade activities including wholesale and retail, as well as the servicing and repair of motor vehicles and motorcycles.	Wholesale trade in computer equipment and supplies, including printers and ink supplies

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), (collectively referred to as "IFRS endorsed in the Kingdom of Saudi Arabia"). The new Companies Law issued through Royal Decree M/132 on 1/12/1443A H (corresponding to 30 June 2022) (hereinafter referred to as "the Law"), came into force on 26/6/1444 AH (corresponding to 19 January 2023). For certain provisions of the Law, and the Company's by-law full compliance is expected not later than two years from 26/6/1444A H (corresponding to 19 January 2023). During the year ended 31 December 2023, the Group made changes to its by law to align with the new Companies Law

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for employees' end-of-service benefits which are recognized at present value of future obligations using the projected unit credit method.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiaries as at 31 December 2023, as described in Note 1. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group maintains less than the majority of voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of consolidated comprehensive income are attributable to shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All inter-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Basis of consolidation(Continued)

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- Derecognizes the carrying amount of any non-controlling interests,
- Derecognizes the cumulative translation differences recorded in equity,
- Recognizes the fair value of the consideration received,
- Recognizes the fair value of any investment retained,
- Recognizes any surplus or deficit in consolidated statement of profit or loss,
- Reclassifies the Holding Company's share of components previously recognized in the comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the main economic environment in which the Group operates (the "functional currency"). These consolidated financial statements are expressed in Saudi Arabian Riyals (SAR), which is the functional and presentation currency of the Group.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the Group's management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are reviewed if the revision affects only that period, or in the period of the revision and future periods affected.

In the process of applying the Group's accounting policies, the Group's management has made the following judgments, which are significant to the amounts recognized in the consolidated financial statements.

3.1 Going concern

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

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.2 Provisions

Information is included regarding judgments made in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements - in the following clarification:

- Note 5-12: Classification of investee companies using the equity method; Whether the group has a significant influence on the investee company.
- Note 5-10: Lease term: Whether the Group is reasonably certain to exercise extension options.
- Note 5-20: Presentation evaluation of gross revenues versus net revenues; The company's decision as to whether it is acting as a principal or agent in the transaction.
- Note 5-20: Evaluation of data center revenues.

3.3 Estimation and assumption uncertainties

In the process of applying the Group's accounting policies, the Group's management has made the following estimates, which are significant to the amounts recognized in the consolidated financial statements.

3.3.1 Estimation of useful lives of property and equipment

The Group's management estimates the useful lives of property and equipment for the depreciation calculation. These estimates are made after considering the expected use of the assets or physical wear and tear. Management reviews the residual values and useful lives on an annual basis and would retrospectively make adjustments to depreciation charge for the current and future periods, if necessary.

3.3.2 Impairment of non-financial assets

The non-financial assets are impaired if the carrying amount of these assets or their CGU exceeds their recoverable amount. The recoverable amount of any assets or CGU is the higher of their "value in use" or "fair value less costs to sell". Fair value is determined through arm's length transactions for similar assets or observable similar assets' market prices less any direct costs to sell. Value in use is determined by considering the expected cash flows over the next five years. This calculation excludes any cash flows related to the restructuring that the Group is not yet committed to, or significant future investments that would support the performance of the asset or CGU being assessed. The recoverable amount is heavily sensitive to the discount rate, expected future cash flows, and growth rate used for value in use extrapolations.

3.3.3 ECL Provision

The Group uses a model to estimate lifetime ECL not credit impaired and lifetime ECL credit impaired due to changes in credit risk for the financial instrument. The Group uses the simplified approach that employs a provision matrix to assess ECL associated with customers typically having numerous small receivables. To ECL measurement, receivables are grouped based on common credit risk characteristics and the periods in which they fall due. Historical loss rates are adjusted to reflect current and future information according to indications of macroeconomic activity that affect the ability of parents and customers to settle these receivables.

3.3.4 Determining the lease term for extension and termination options- the Group as a lessee.

The lease term is defined by the Group as the non-cancellable lease term, along with any term that includes an option to extend the lease if the Group is likely to exercise that extension option, or any term that includes an option to terminate the lease if the Group is likely not to exercise the termination option. Typically, the Group has multiple leases that include extension and termination options. The Group carefully evaluates whether it is likely to exercise the extension or termination options, taking into account various factors that influence the economic motivation to exercise either option. Following the commencement date, the Group reviews the lease term if there is a significant event or change in circumstances that impacts its ability to exercise the extension or termination option.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.3 Estimation and assumption uncertainties (Continued)

3.3.5 Leases – incremental borrowing rate estimation

The Group cannot readily determine the implicit borrowing rate for leases; therefore, it uses the incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is a crucial factor in determining the interest rate that the Group would need to pay in order to borrow funds for acquiring an asset of comparable value to the right-of-use asset. in a similar economic environment, over a similar term and with similar level of security. Consequently, the incremental borrowing rate reflects the Group's potential payment obligations, which may require estimation in cases where observable rates are not accessible, or adjustments are necessary to align with the lease terms and conditions. The Group estimates the incremental borrowing rate by considering observable inputs, such as market profit margin rates, when available. In cases where such inputs are not available, the Group makes estimates that are specific to the entity.

3.3.6 Employees' defined benefit obligations

Actuarial valuations are used to estimate the costs of defined benefit plan entitlements after the end of service, as well as the present value of those obligations. Making various assumptions in the actuarial valuation may deviate from actual future developments. These factors involve the assessment of the discount rate, the increment salary rate, mortality rates, and future increments in retirement pensions. Given the complexity of the valuation and long-term nature of the principal assumptions, the estimated benefits are highly sensitive to the changes in those assumptions.

3.3.7 Zakat provision

Zakat Provisions are calculated at the end of each reporting period in accordance with the regulations set by the Zakat, Tax, and Customs Authority ("ZATCA"). Annual Zakat returns are then filed with ZATCA. Adjustments resulting from the final Zakat assessments are recorded during the reporting period when this assessment is approved and finalized by ZATCA.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

4. NEW AMENDMENTS TO STANDARDS ISSUED AND APPLIED EFFECTIVE IN 2023

The following amendments to standards relevant to the Group are effective for the annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group adopted these standards and / or amendments, however, there is no significant impact of these on the consolidated financial statements:

4.1 New standards and amendments issued and applied effective in 2023.

Amendments to Standards	Description	Effective from annual periods beginning on or after	Summary of Amendments
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	1 January 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	1 January 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	1 January 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

4. NEW AMENDMENTS TO STANDARDS ISSUED AND APPLIED EFFECTIVE IN 2023 (CONTINUED)

4.2 New standards, amendments and revised IFRS issued but not yet effective

The Group has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to Standards	Description	Effective from annual periods beginning on or after	Summary of Amendments
IAS 1	Classification of liabilities as current or non-current	1 January 2024	The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	1 January 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES

The Group's Board of Directors has adopted the disclosure of accounting policies (amendments to IAS 1) effective from 1 January 2023. The amendments require the disclosure of accounting policies that are 'material' rather than 'significant'. Although the amendments did not result in any changes to the accounting policies themselves, they affect the accounting policy information disclosed in certain cases.

The following are the accounting policies used in preparing these financial statements

5.1 Current versus non-current classification of assets and liabilities

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.

It is held primarily for the purpose of trading.

Expected to be realized within twelve months after the reporting year, or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current assets.

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 year, or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

All other liabilities are classified as non-current liabilities.

5.2 Financial instruments

Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that results in a financial asset for one entity and a financial liability or equity instrument for another entity.

a. Financial assets

The Group classifies its financial assets at initial recognition based on the entity's business model for managing financial assets and the contractual cash flow characteristics.

a.1 Classification

Financial assets are classified into the following measurement categories:

- a) Assets that are subsequently measured at fair value (either through other comprehensive income, or through profit or loss).
- b) Assets measured at amortized cost.

For assets measured at fair value, gains and losses are recorded in the statement of profit or loss and other comprehensive income. As for equity investments, it depends on whether the Group has made an irrevocable election at initial recognition to account for equity investments at FVOCI.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.2 Financial instruments(Continued)

a. Financial assets (Continued)

a.2 Measurement

At initial recognition, the Group measures financial assets at their fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at FVTPL are recognized as expenses in the statement of profit or loss when incurred.

a.3 Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing financial assets and the cash flow characteristics of the asset. The Group classifies debt instruments at amortized cost based on the following:

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

Amortized cost is calculated after taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Employee loans are measured at amortized cost.

a.4 Default on financial assets

In the aforementioned context, the Group considers that the default on financial assets occurs when:

- It is possible that the customer may not settle their credit obligations in full to the Group, which may require the Group to take actions such as collecting collateral (if it is retained), or
- If a customer exceeds 360 days overdue on any significant credit obligation to the Group, they are considered to be in default. Considering the industry sector's perspective, this period fairly represents a default scenario for the Group. This refutes the 90-day presumption mentioned in IFRS 9.

The asset's carrying amount is decreased using the above model, and the resulting loss is recognized in the statement of comprehensive income. When there is no realistic prospect of recovery in the future and all collateral has been realized or transferred to the Group, receivables, along with the related provision, are written off. If the amount of the impairment loss recognized in the subsequent year changes due to events occurring after the impairment was recognized, the previously recognized impairment losses are adjusted accordingly. If the amount that was previously written off is recovered later, it will be recognized as other income in the statement of profit or loss.

b. Financial liabilities

Financial liabilities (including borrowings and payables) are initially and subsequently measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the amount paid is recorded in the statement of profit or loss.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.2 Financial instruments(Continued)

b. Financial liabilities (Continued)

b.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation .Repair and maintenance expenses are considered periodic expenses, whereas improvement costs are accounted for as capital expenditures. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvements or the lease term. An asset sold or disposed of and its accumulated depreciation are derecognized from the accounts on the date of sale or disposal.

The annual depreciation for the main classes of these assets is as follows:

<u>Class</u>	<u>Years</u>
Furniture and fixtures	3
Office equipment & supplies, and computers	3
Leasehold improvements	3
Vehicles	5

5.4 Impairment of assets

On each financial position date, the Group conducts a periodic review of the carrying amount of assets to determine whether there is any indication of an impairment loss. If such evidence exists, the recoverable amount of the asset is estimated to determine the amount of loss. Where the recoverable amount of the asset cannot be estimated, the Group estimates the recoverable amount of the CGU to which the asset belongs.

When the estimated recoverable amount of an asset or CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized immediately as an expense in the statement of profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately as income in the statement of profit or loss.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.5 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date (i.e., the date on which the underlying asset becomes ready to use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes lease liabilities recognized, the initial direct costs incurred, and lease payments made at or before commencement, less any lease incentives received and the cost of restoration. Unless the Group is reasonably certain that ownership of leaseholds will be maintained at end of the lease term, the right-of-use asset recognized is depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

5.6 Contract assets

Contract assets are the Group's right to consideration in exchange for goods delivered or services provided to the customer, including computer hardware, supplies, software, licenses, as well as managed, operational, and professional services. If the Group transfers goods or services to the customer before the consideration is paid or before it is due, contract assets are recognized for the earned portion of the consideration that remains conditional.

5.7 Accounts receivable

Amounts receivable from private and government sector customers in exchange for supplies in the normal course of the Group's activities are from the sale and supply of computer hardware, supplies & equipment, software, licenses, in addition to managed, operational, and professional services. The receivables do not carry interest. If credit terms exceed normal credit conditions, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of accounts receivable and other receivables are reviewed to determine if there is any objective evidence that the amounts are uncollectible. In such cases, the impairment loss is recognized immediately in the consolidated statement of profit or loss.

5.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and bank deposits having an original maturity of three months or less, if any.

5.9 Employees' defined benefit plan

5.9.1 End-of-service benefits

End-of-service benefits are calculated using the Projected Unit Credit Method and an actuarial valuation is conducted at the end of each annual financial period. Re-measurements, such as actuarial gains and losses, are recognized in the consolidated statement of financial position. Gains and losses are also accounted for in other comprehensive income during the period in which they occur. Re-measurements accounted for as other comprehensive income are immediately recognized in retained earnings and are not reclassified to profit or loss.

5.9.2 Retirement benefits

The Group makes retirement contributions for its Saudi employees to the General Organization for Social Insurance, representing a defined contribution scheme, and considers the payments as expenses when incurred.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.9 Employees' defined benefit plan(Continued)

5.9.3 Short-term employees' benefits

Employees' benefits obligations, including wages and salaries, annual leave, and sick leave, are recognized in the period in which the related service is rendered at the undiscounted amount of benefits expected to be paid in exchange for that service.

Short-term employees' benefit obligations that are recognized are measured at the expected amount to be paid in exchange for the service rendered.”

5.10 Lease liabilities

5.10.1 The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date. Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of end of the right-of-use asset's useful life or the end of the lease term. The estimated useful lives of the right-of-use assets are determined using the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the implicit interest rate of the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

5.10.2 Short-term leases and leases of low-value assets

The Group elected not to recognize right-of-use assets and lease liabilities associated with short-term leases (i.e., leases with a term of 12 months or less) and also leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are expensed in the statement of profit or loss on a straight-line basis over the lease term.

5.11 Trade payables

Liabilities for future payments for goods or services received are recognized, regardless of whether they have been billed by the suppliers.

5.12 Related parties

A related party is a person or entity associated with the company whose financial statements it prepares.

a. person or a close family member of that person is related to the entity if they:

- have control or joint control over the company whose financial statements it prepares;
- have a significant influence on the company whose financial statements are prepared; or
- are members in the key management of the Company whose financial statements are prepared, or the ultimate parent of the company whose financial statements are prepared.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.12 Related parties(Continued)

b. An entity is considered related if they meet any of the following conditions:

- The entity and the company whose financial statements are prepared are part of the same company, indicating a close relationship between the parent company, subsidiaries, and associates.
- One of the two companies has a close business relationship with the other company, either as an associate or joint venture, or as an associate or joint venture of a member of the group of which the other company is also a member.
- Both companies are joint ventures of the same third party.
- One of the two companies is a joint venture of a third company, and the other company is an associate of the third company.
- The company is controlled or jointly controlled by a person specified in paragraph (a).
- The person specified in paragraph (a) has a significant influence on the company or is a member of the company's (or parent company's) key management.
- The company or any member of a group provides part of the services of key management personnel to the company whose financial statements are prepared or to the parent company of the company whose financial statements are prepared.

5.13 Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has a current legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. If the effect of time value of money is material, provisions are estimated by expected future cash flows discounted at a current pre-tax rate, which reflects current market assessments of time value of money and liability-specific risks. Discounting impact is recognized as finance cost in the consolidated statement of comprehensive income.

5.14 Contingencies

All contingencies arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Group or all current liabilities arising from past events but are not recognized for the following reasons:

- 1) There is no possibility that the outflow of resources embedding in economic benefits will be required to settle the obligation
- 2) The amount of the obligation cannot be measured ,reliably they should all be assessed at the date of each financial position and disclosed in the Group's consolidated financial statements within the contingencies.

5.15 Offsetting

Financial assets and liabilities are ,offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.16 Foreign currency translation

Foreign currency transactions are translated into SAR at the exchange rates ruling at the time of the transaction. Monetary assets and liabilities in foreign currencies as at the date of the consolidated statement of financial position are translated into SAR at the rates ruling on that date. Gains and losses resulting from the foreign currency translation or settlement are recognized in the statement of profit or loss.

5.17 Value added tax

The revenue, expenses, and assets are recognized net of value added tax 'VAT' amount, except for:

- When the VAT incurred on the purchase of assets or services is not recoverable from the relevant tax authorities, in this case VAT is recognized as part of the purchase cost of the assets or expensed, if applicable,
- When receivables and payables are stated including VAT amount

Net VAT recoverable from / or payable to the relevant tax authorities is recorded as part of other receivables or other payables in the consolidated statement of financial position.

5.18 Withholding tax

The Group withholds tax on certain transactions with non-resident entities in accordance with the income tax regulations in the Kingdom of Saudi Arabia.

5.19 Finance cost

The Company's finance costs include interest expense, which is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected useful life of the financial instrument to:

- the total carrying amount of financial liabilities; or
- amortized cost of financial liabilities.

When calculating interest expense, the effective interest rate is applied to the total carrying amount of the asset (when it is not credit-impaired) or to the amortized cost of the liability.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.20 Revenue recognition

The Group principally generates revenue from various sources, including the sale and supply of computer hardware, supplies and equipment, software, and licenses as well as , managed, operational, and professional services, which will be discussed in more detail later. Revenue from contracts with customers is recognized using a five-step model outlined in IFRS 15 'Revenue from Contracts with Customers'. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer, at an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services.

5.20.1 Principal versus agent considerations

Among the significant accounting estimates, assumptions, and judgments are the principal versus agent considerations. The Group regularly evaluates its contractual arrangements to determine whether it acts as a principal, recognizing revenue on a gross basis, or as an agent, recognizing revenue on a net basis. The Group exercises professional judgment in this assessment, taking into account the details of the contractual terms, the nature of the products and services, and in accordance with IFRS 15 regarding revenue from contracts with customers. The Group considers the following indicators, among other things, to determine whether it acts as a principal or an agent in transactions:

- The Group is primarily responsible for delivering the promised goods or services.
- The Group assumes the inventory risks prior to the transfer of the specified goods or services.
- The Group has the right to determine the price for the specified good or service.

The Group assesses various revenue categories based on the indicators mentioned above. However, it relies on its professional judgment to determine whether it acts as a principal or an agent.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.20 Revenue recognition(Continued)

5.20.2 Performance obligations

The Group primarily generates revenue from a variety of products and services and fulfills its performance obligations as follows:

Products & Services	The nature and timing of fulfilling performance obligations
Revenue from computer hardware and supplies	<p>The Group sells third-party equipment acquired from various suppliers and distributors. Revenue from these arrangements is recognized on a gross basis as the principal in the transaction when the product is received by the customer. This is because the company controls the product before it is transferred to the customer, and revenue is recognized at a certain point in time.</p> <p>Most of the hardware products that the group sells come with standard warranties provided by third-party suppliers. Manufacturer's warranties are classified as assurance-type warranties and are not considered separate performance obligations. Instead, they are included as part of the performance obligations.</p>
Revenue from software and licenses	<p>Revenue from the sale of third-party software licenses is recorded once the customer has acquired the right to use or receive the software license. Revenue from providing license services and software is recognized when ownership is transferred to the customer at a certain point in time.</p> <p>When the entity performs complex integration or specialized settings for third-party software licenses to ensure that the customer can fully benefit from the software as outlined in the contract, it typically results in the Group acting as a principal for the integrated performance obligation of the software license and implementation services. As a result, revenue is recorded on a gross basis.</p>
Revenue from managed and operational services	<p>The Group assesses control over the services provided to customers, either directly or through the involvement of third-party suppliers.</p> <p>Revenue from managed and operational service contracts includes a range of services, including the workforce for the maintenance of the client's IT infrastructure, as well as supplying the IT technology and related consumables to support the client's IT environment throughout the contract term. The Group acts as principal, taking charge of decision-making regarding the efficient utilization of internal resources and/or subcontractors/suppliers in executing services and delivering final outputs that meet the customer's needs. The Group assumes the main role in the contract with the customers and is directly accountable for providing the services, whether it be through direct or indirect means.</p> <p>Revenue is recorded on a gross basis as the principal. Revenue from managed and operational services is recognized either over time or at a certain point in time during the contract term and upon delivery of the services.</p>
Revenue from professional services.	<p>The Group assesses control over the services provided to customers either directly or through the participation of suppliers from other parties. The Group acts as a principal when it is responsible for making decisions about the effective use of internal resources and/or suppliers/subcontractors in the execution and final delivery of outputs that meet customer requirements. When the Group is the main party responsible for providing services to the customer under the contract, whether directly or indirectly, revenues are recognized on a gross basis as the principal. The following is a breakdown of the revenue distribution:</p> <p>a. Revenue from System Integration and Installation Services</p> <p>The Group engages in the sale of hardware, software licensing, installation, and after-sale support, and other services are bundled together to provide comprehensive solutions. However, software and installation are considered as separate performance obligations. The Group recognizes revenue related to the hardware and installed software, along with the installation, over time using the output method.</p> <p>b. Development</p> <p>The Group provides IT development services and recognizes them either over time or at a certain point in time.</p>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

5. MATERIAL INFORMATION ABOUT ACCOUNTING POLICIES (CONTINUED)

5.21 Cost of revenue

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group.

5.22 General and administrative expenses

This line item is related to operating expenses which aren't directly attributable to the sale of goods. It involves the allocation of overhead costs that are indirectly incurred and cannot be directly traced to a specific cost.

5.23 Selling and marketing expenses

Selling expenses comprise all costs incurred in supporting or facilitating the Group's sales activities. This includes the remuneration of sales and marketing personnel, distribution, and logistics-related expenditures.

5.24 Dividends

Cash or non-cash dividends to shareholders are recognized as liabilities once they are approved, and in compliance with the regulations for companies in the Kingdom of Saudi Arabia. Dividends are approved after being confirmed by the shareholders. The dividend amount is directly deducted from equity and recognized as liabilities.

5.25 Other income

Other income is recognized after providing the necessary services as specified in the contractual agreements with customers.

5.26 Zakat and tax

According to Zakat Regulations by the ZATCA, Saudi and Gulf owners are subject to Zakat, which is determined based on the Zakat base. The estimated amount of Zakat is included in the statement of profit or loss. Foreign shareholders of the Group are required to pay corporate income tax in accordance with the regulations in the Kingdom of Saudi Arabia. Corporate income tax for the Group is calculated using adjusted net income. The estimated amount of the resulting corporate income tax is recorded as an expense in the statement of profit or loss.

Any difference between the estimates and the actual Zakat or tax is directly settled from the provision upon the final assessment by the ZATCA.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

6. PROPERTY AND EQUIPMENT

	<u>Leasehold Improvements</u>	<u>Office Equipment & Supplies, and Computers</u>	<u>Vehicles</u>	<u>Furniture & Fixtures</u>	<u>Total 2023</u>
Cost:					
Balance at beginning of the year	499,305	1,136,048	284,500	387,839	2,307,692
Additions during the year	-	348,847	-	6,825	355,672
Disposals during the year	-	(63,659)	-	-	(63,659)
Balance at end of the year	499,305	1,421,236	284,500	394,664	2,599,705
Accumulated Depreciation:					
Balance at beginning of the year	366,453	760,153	82,716	222,545	1,431,867
Charge for the year	96,208	371,511	56,900	108,114	632,733
Disposals during the year	-	(63,659)	-	-	(63,659)
Balance at end of the year	462,661	1,068,005	139,616	330,659	2,000,941
Net Book Value at end of the year	36,644	353,231	144,884	64,005	598,764

	<u>Leasehold Improvements</u>	<u>Office Equipment & Supplies, and Computers</u>	<u>Vehicles</u>	<u>Furniture & Fixtures</u>	<u>Total 2022</u>
Cost:					
Balance at beginning of the year	451,805	1,067,881	96,500	260,183	1,876,369
Additions during the year	47,500	71,872	188,000	127,656	435,028
Disposals during the year	-	(3,705)	-	-	(3,705)
Balance at end of the year	499,305	1,136,048	284,500	387,839	2,307,692
Accumulated Depreciation:					
Balance at beginning of the year	275,737	444,001	28,950	116,045	864,733
Charge for the year	90,716	317,592	53,766	106,500	568,574
Disposals during the year	-	(1,440)	-	-	(1,440)
Balance at end of the year	366,453	760,153	82,716	222,545	1,431,867
Net Book Value at end of the year	132,852	375,895	201,784	165,294	875,825

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cost:		
Balance at beginning of the year	1,952,107	1,506,578
Additions during the year	-	445,529
Disposals during the year	(588,000)	-
Balance at end of the year	1,364,107	1,952,107
Accumulated Depreciation:		
Balance at beginning of the year	1,096,099	667,188
Charge for the year	408,529	428,911
Disposals during the year	(588,000)	-
Balance at end of the year	916,628	1,096,099
Net book value at end of the year	447,479	856,008

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

b. The movement in lease Liabilities

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	898,431	873,699
Additions during the year	-	352,970
Finance cost	25,870	42,762
Payments during the year	<u>(469,984)</u>	<u>(371,000)</u>
Balance at end of the year	<u>454,317</u>	<u>898,431</u>

c. Maturity of lease liabilities

	<u>31 December 2023</u>	<u>31 December 2022</u>
Less than 1 year - current portion of lease liabilities	226,085	444,595
1-3 years – non-current portion of lease liabilities	<u>228,232</u>	<u>453,836</u>
Net book value	<u>454,317</u>	<u>898,431</u>

d. the amount recognized in the consolidated statement of profit or loss

	<u>31 December 2023</u>	<u>31 December 2022</u>
Depreciation of right-of-use assets	408,529	428,911
Finance cost for lease liabilities	25,870	42,762

e. the amount recognized in the consolidated statement of cash flows

	<u>31 December 2023</u>	<u>31 December 2022</u>
Payments during the year	469,984	371,000

8. PREPAYMENTS AND OTHER ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Advances for lease liabilities	1,804,053	-
Guarantees	3,261,644	2,364,548
Prepaid expenses	959,359	380,610
Suppliers - advance	4,480,987	222,029
Employee receivables	<u>5,589</u>	<u>47,358</u>
Total	<u>10,511,632</u>	<u>3,014,545</u>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

9. ACCOUNTS RECEIVABLE

	<u>31 December 2023</u>	<u>31 December 2022</u>
Customers	89,964,543	60,784,361
ECL provision	<u>(3,372,952)</u>	<u>(2,476,648)</u>
Accounts receivable, net	<u>86,591,591</u>	<u>58,307,713</u>

* Customer balances primarily consist of amounts due from government and private sector customers who do not have a history of default or significant debt write-offs. A comprehensive breakdown of the receivables from government and private sector Customers is disclosed in Note 27, focusing on financial instruments and risk management (“credit risk”).

The movement in ECL provision is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	2,476,648	497,244
Provided during the year	896,304	1,979,404
Balance at end of the year	<u>3,372,952</u>	<u>2,476,648</u>

Information regarding credit exposures and expected credit losses on accounts receivable can be found in Note 27, which focuses on financial instruments and risk management (“credit risk”).

10. CASH AND CASH EQUIVALENTS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash and cash equivalents	40,558,093	63,892,775
Murabaha deposits with an original maturity of less than 90 days*	<u>10,000,000</u>	-
	<u>50,558,093</u>	<u>63,892,775</u>

* The average interest rate on Murabaha deposits stood at 6.10% for an original maturity of 29 days. As at 31 December 2023, The actual return on these deposits, stands at SAR 154,644.

11. SHARE CAPITAL

The Group’s share capital amounted to SAR 25,000,000, divided into 25,000,000 shares (31 December 2022: 2,500,000 shares), of SAR 1 each (31 December 2022: SAR 10 each) distributed to the shareholders.

On 13 July 2023, the extraordinary general assembly gave their approval to the board of directors' proposal of reducing the par value per share from SAR 10 to SAR 1. During the year ended 31 December 2023, there were updates made to the commercial register and the Group's articles of association.

Shareholders	<u>2023</u>			
	<u>%</u>	<u>Shares in numbers</u>	<u>Share Value</u>	<u>Share Capital</u>
Ahmed Abdulaziz Ibrahim Al-Osaily	40%	10,000,000	1	10,000,000
Abdullah Abdulaziz Ibrahim Al-Osaily	30%	7,500,000	1	7,500,000
Youssef Abdulaziz Ibrahim Al-Osaily	<u>30%</u>	<u>7,500,000</u>	1	<u>7,500,000</u>
	<u>100%</u>	<u>25,000,000</u>		<u>25,000,000</u>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

11. SHARE CAPITAL (CONTINUED)

Shareholders	2022			
	%	Shares in numbers	Share Value	Share Capital
Ahmed Abdulaziz Ibrahim Al-Osaily	40%	1,000,000	10	10,000,000
Abdullah Abdulaziz Ibrahim Al-Osaily	30%	750,000	10	7,500,000
Youssef Abdulaziz Ibrahim Al-Osaily	30%	750,000	10	7,500,000
	100%	2,500,000		25,000,000

12. STATUTORY RESERVE

In accordance with Regulations for the Companies in Kingdom of Saudi Arabia, the Ordinary General Assembly may resolve to make reserves when determining earnings per share, to the amount serving the Group's benefit or maintaining stable dividends to the stockholders. Additionally, the assembly may make deductions out of net income for employee social benefits. As at 31 December 2023, the Group has made no reserves for the year.

13. EMPLOYEES' BENEFIT OBLIGATIONS

13.1 The movement in employees' benefit obligations

The movements in employees' defined benefit obligations recognized in the consolidated statement of financial position are as follows:

	31 December 2023	31 December 2022
Net liabilities at beginning of the year	1,566,176	744,082
Current service cost	997,915	698,432
Interest cost	87,706	41,669
	1,085,621	740,101
Recognized in other comprehensive income:		
Actuarial losses	274,415	170,131
Net liabilities at end of the year	2,926,212	1,654,314
Benefits paid during the year	(100,070)	(88,138)
Present value of employees' benefit obligations	2,826,142	1,566,176

13.2 Principal actuarial assumptions

The principal financial assumptions used to calculate employees' end-of- service benefit obligations are as follows:

	31 December 2023	31 December 2022
Percentage:		
Discount rate	4.75%	5.60%
Salary increment rate	3%	3%
Employee withdrawal rates	moderate	moderate

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

13. EMPLOYEES' BENEFIT OBLIGATIONS (CONTINUED)

13.3 Sensitivity analysis

The sensitivity of employees' defined benefit obligations to changes in the weighted average of the principal assumptions is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rate		
Increase by 0.1%	2,660,871	1,367,393
Decrease by 0.1%	3,012,023	1,810,818
Salary increment rate		
Increase by 0.1%	3,028,040	1,824,173
Decrease by 0.1%	2,643,743	1,354,056

14. TRADE PAYABLES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade payables	68,769,438	53,790,842
	<u>68,769,438</u>	<u>53,790,842</u>

* The significant portion of the total balance is made up of amounts due to suppliers, which is the main component of the accounts payable balance.

15. ACCRUALS AND OTHER LIABILITIES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Accrued expenses	10,781,681	10,540,800
VAT payable	7,280,096	3,300,297
Withholding tax	72,019	132,538
Employee accruals	3,113,056	1,959,095
Clients - advance	158,821	-
Total	<u>21,405,673</u>	<u>15,932,730</u>

16. ZAKAT

a. Zakat base:

Zakat Calculation	<u>31 December 2023</u>	<u>31 December 2022</u>
Total zakat items	137,264,491	95,076,035
Less: total non-zakat items	<u>(3,655,588)</u>	<u>(1,852,755)</u>
Zakat base	<u>133,608,903</u>	<u>93,223,280</u>
Zakat charge at 2.5% of zakat calculation	<u>3,407,418</u>	<u>2,330,582</u>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

16. ZAKAT (CONTINUED)

b. Zakat provision

The Group has made a provision for Zakat for the year in accordance with the Zakat regulations in the Kingdom of Saudi Arabia, which has been recognized in the statement of profit or loss. The following is a breakdown of the Zakat provision recognized in the statement of financial position:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Zakat provision	<u>3,407,746</u>	<u>2,331,721</u>
	<u>3,407,746</u>	<u>2,331,721</u>

The movements in zakat provision during the year ended 31 December 2023:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	2,331,721	1,326,985
Zakat charge for the year	3,407,418	2,330,582
Prior years' zakat differences	-	2,564
Zakat paid	<u>(2,331,393)</u>	<u>(1,328,410)</u>
Balance at end of the year	<u>3,407,746</u>	<u>2,331,721</u>

c. Zakat statute

The Group has successfully filed zakat returns for previous years up to 2022 and obtained the zakat certificate for those years in 2023. The Company has not been aware of any zakat assessments that necessitate cash outflow of economic resources to date.

17. REVENUE

The following are the revenue details:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Total revenue	271,943,140	270,214,485
Less: Sales returns	<u>(1,079,554)</u>	<u>(114,322)</u>
Total	<u>270,863,586</u>	<u>270,100,163</u>

Geographical scope:

* The Group's revenues are generated in full within the Kingdom of Saudi Arabia.

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

17. REVENUE (CONTINUED)

17.1 The breakdown of revenue:

Segments	31 December 2023	31 December 2022
Type of goods or services:		
Revenues from computer hardware and supplies	101,408,368	137,603,791
Revenues from software and licenses	77,728,382	54,972,138
Revenue from managed, operational and professional services	91,726,836	77,524,234
Total revenue from contracts with customers	270,863,586	270,100,163
Revenue by customer type:		
Government clients	177,524,495	130,892,361
Corporate clients	93,339,091	139,207,802
Total revenue from contracts with customers	270,863,586	270,100,163
Timing of revenue recognition:		
At a certain point in time	192,213,727	208,376,673
Over time	78,649,859	61,723,490
Total revenue from contracts with customers	270,863,586	270,100,163

17.2 Contract assets

	31 December 2023	31 December 2022
Contract assets	68,300,422	33,161,652
	68,300,422	33,161,652
	31 December 2023	31 December 2022
Total contract assets	71,646,447	33,161,652
Less: Provision for impairment on contract assets	(3,346,025)	-
	68,300,422	33,161,652

Contract assets mainly pertain to the Group's entitlement to receive consideration for services provided to the customers, which have not yet been billed as at the reporting date. These assets are transferred into receivables once contracts become unconditional and the Group sends an invoice to the customer.

As at 31 December 2023, a significant portion of the Group's contract assets come from government entities, totaling SAR 55,241,999, which accounts for 77% of the total contract assets. (as at 31 December 2022: SAR 25,633,274, which accounts for 77% of the total contract assets).

The movement in ECL provision on the contract assets is as follows:

	31 December 2023	31 December 2022
Balance at beginning of the year	-	-
Additions	3,346,025	-
Balance at end of the year	3,346,025	-

**AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY
COMPANY**

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

18. COST OF REVENUE

	<u>31 December 2023</u>	<u>31 December 2022</u>
Operating costs	189,196,927	198,724,880
Salaries and equivalents	20,818,630	18,055,479
Medical insurance	1,165,612	1,330,292
Social insurance	840,253	962,125
Government charges	798,890	617,236
Employees' benefits	698,203	399,124
Business travel expenses	441,149	565,401
Fines and deductions	377,091	316,393
Travel tickets	285,142	241,192
Training expenses	217,213	54,074
Others	59,665	37,153
	<u>214,898,775</u>	<u>221,303,349</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Salaries and equivalents	4,066,102	2,194,307
Professional and advisory fees	1,115,734	585,506
Administrative charges	742,340	418,564
Technical expenses	633,011	170,312
Depreciation of property and equipment (Note 6)	632,733	568,574
Amortization of leases (Note 7)	408,529	428,911
Employees' benefits	260,401	258,900
Withholding tax	194,638	556,130
Tender expenses	145,125	117,100
Maintenance and repair expenses	14,473	7,545
Bank charges	517,013	320,158
	<u>8,730,099</u>	<u>5,626,007</u>

20. SELLING AND MARKETING EXPENSES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Salaries and equivalents	1,988,696	967,538
Marketing and public relations	545,662	14,685
Commissions	411,343	854,166
Employees' benefits	39,311	40,408
	<u>2,985,012</u>	<u>1,876,797</u>

21. FINANCE COST

	<u>31 December 2023</u>	<u>31 December 2022</u>
Management fees	499,997	280,441
Benefit cost of employee benefits (Note 13)	87,706	41,669
Lease liabilities (Note 7)	25,870	42,762
	<u>613,573</u>	<u>364,872</u>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

22. OTHER INCOME

The following is a breakdown of other income:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Marketing commissions	2,636,727	1,439,102
Government subsidies	52,711	23,645
Vehicle proceeds	-	4,944
	<u>2,689,438</u>	<u>1,467,691</u>

23. BASIC EARNINGS /(LOSS) PER SHARE

Earnings /(loss) per share is calculated by dividing the net income for the year by the weighted average number of shares, amounting to 25,000,000 million shares for the year ended 31 December 2023 (2022: 25,000,000 million shares), and the following is how the calculation was made:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Net income for the year attributable to the Group's shareholders	38,830,462	38,083,590
Weighted average number of shares after share value reduction (Note 11)	25,000,000	25,000,000
Earnings per share as per net income for the year	<u>1,55</u>	<u>1,52</u>

24. RELATED-PARTY TRANSACTIONS

The principal shareholders and key management personnel of the Group are considered related parties. The following is a breakdown of the remunerations to key management personnel for the year:

Remunerations to key management personnel

	<u>31 December 2023</u>	<u>31 December 2022</u>
Board members and related committees' fees	1,024,000	-
Key management personnel Salaries and benefits	4,229,038	2,824,888
	<u>5,253,038</u>	<u>2,824,888</u>

25. BANK FACILITIES

The Group has entered into facility agreements with local banks to meet its working capital requirements and support its business operations in form of letters of guarantee and letters of credit, totaling SAR 40 million as maximum as at 31 December 2023 (31 December 2022: SAR 40 million). The Group utilized a portion of these agreements to secure bank guarantees for its ongoing projects, as described in Note 26.

26. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2023, the Group's total contingencies to banks for letters of guarantee issued to government agencies amounted to SAR 24,899,161. (2022: SAR 11,150,959) for letters of guarantee issued to government agencies in exchange for tenders.

As at 31 December, 2023, the Group has capital commitments from supply and service contracts totaling SAR 194,833,711 (31 December 2022: SAR 166,086,184).

In the ordinary course of business, the Group is not aware of any significant lawsuits that are likely to, or that would require, an outflow of economic resources, or that would result in a significant financial impact on the Group's financial position or its operations, as presented in these financial statements.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Factors

The Company's objective in managing risk is to generate and maintain value for shareholders. Managing risk is a crucial aspect of the Company's operations. It involves identifying, measuring, and continuously monitoring the nature of risks, within the limits of risk and other control elements. The risk management process is important for the Company's ongoing profitability.

With its focus on training and management standards, the Company strives to create a disciplined and productive control environment where employees understand their responsibilities and duties. The Company has exposures to credit and liquidity risks due to its financial instruments.

The Board of Directors is completely responsible for establishing and monitoring the Company's risk management framework. The executive management is tasked with the development and oversight of the Company's risk management policies. Any changes or compliance issues are reported to the Board of Directors through the Audit Committee.

The Audit Committee is responsible for overseeing management's monitoring of compliance with the Company's risk management policies and procedures. They also review the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's activities expose it to the following financial risks:

Market risk, including interest rate risk and foreign currency risk.

Credit risk.

Liquidity risk.

As with all other businesses, the Company has exposure to risks for its financial instruments. This note presents information about the Company's objectives, policies, and processes for managing and measuring risk. Management reviews and aligns policies for risk management, and more quantitative information regarding these risks is presented in all of these financial statements.

Main financial instruments:

The financial instruments mainly used by the Company, which give rise to financial instrument risk, are as follows:

Cash and Cash Equivalents

Accounts Receivable

Contract Assets

Trade Payables

Other Assets

Other payables

Lease Liabilities

Market Risk

It is the risk of fluctuation in a financial instrument due to changes in market rates, such as foreign exchange rates and interest rates, which affect the Company's income or the value of its holdings of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters, while maximizing returns. There has been no change in the Company's market exposures or the way they are managed or measured.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Market Risk (Continued)

The Company is exposed to potential risk due to its heavy reliance on government entities for various digital projects, which could lead to customer concentration. The Company's revenue generation relies heavily on its transactions with government entities, accounting for 66% and 34% of the Company's revenues for the financial years ended 31 December 2023, and 2022, respectively. The Company's success and growth are closely tied to its relationships with government entities. These relationships have been a major source of revenue and are expected to become even more important in the future.

The Company's revenues are significantly influenced by the level of government spending, as a large portion of its customers are governmental and semi-governmental entities. There are various factors that can influence this, including financial constraints, budget-related restrictions, regulatory limitations, changes in governmental financial or contractual policies, public spending constraints, a decrease in available government funding, or delays in the collection of government appropriations. The Company's management expects a substantial increase in the digital sector in the coming periods, aligning with the vision of the Kingdom of Saudi Arabia.

The Company is exposed to potential risks in accurately estimating the cost of providing services and products, as well as assessing their complexity. Calculating the prices for digital service contracts can be quite intricate and relies heavily on the Company's internal estimates, forecasts, and assumptions for its projects, particularly when it comes to determining the cost of providing the associated digital services. It is important to note that these estimates, forecasts, and assumptions are based on limited data and may prove to be inaccurate. Accurate estimation of costs and project completion timing is crucial for ensuring the profitability of contracts. When dealing with unforeseen expenses, the Company typically aims to engage in negotiations with suppliers in order to lower the base costs. Unfortunately, there is no guarantee that the ongoing negotiations with suppliers will lead to any agreements that can alleviate the financial burden on the Company. If the Company encounters any unforeseen challenges, such as unexpected costs, delays, or risks beyond its control in delivering its services, it could have a negative and significant impact on its business, operating results, financial position, and prospects.

The entity is exposed to risks associated with technology developments and changes in client needs. The market for digital services is characterized by rapid technological evolution, constant innovation in product development, and continuous improvements in technology. In the domain, it is important to consider the sophisticated customer needs and progressive industry benchmarks. The success of the entity relies on its ability to continuously innovate attractive offerings and strategies, delivering them to both current and potential customers in a timely, efficient, and competitive manner.

The Company is exposed to potential risks arising from its technology partners, suppliers, and service providers. It relies on various supplies of computer hardware, supplies, software services, licenses, managed and operational services, and other professional services that are outsourced to external parties. These external parties, including suppliers and subcontractors, play a crucial role in the Company's business operations and management. These services offer licenses that may come with warranties as part of the sales contracts. In addition, the Company cannot provide a direct guarantee on the ongoing effectiveness of licenses and warranties included in its contracts. This is due to factors that are outside of the normal course of business and can last anywhere from one to three years. If these suppliers are unable to fulfill the contracts and meet the agreed-upon standards due to unforeseen circumstances, the Company may have indirect liability. It is important to note that if the Company elects to work with suppliers or contractors, it is still accountable to its customers for ensuring that the contracts are carried out properly. If the Company is unable to transfer any losses (in full or partially) resulting from the supplier's or subcontractor's default, it will be responsible for covering these losses. As a result, the Company will experience a significant and detrimental effect on its business, operating results, financial position, and prospects.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Market Risk (Continued)

It is important to mention that the Company also depends on software, hardware, and applications from different external sources to provide its services and solutions, including Microsoft programs. If any of these programs, devices, or applications become unavailable for an extended period or are no longer offered under acceptable terms, it could lead to service delays until alternative technologies are identified, obtained, and incorporated. This could potentially result in higher expenses for the Company or negatively impact its operations. Ensuring a strong partnership with external suppliers of software, hardware, and applications is crucial for the Company. However, it is important to note that any issues with the programs, devices, or applications provided by these suppliers can have a negative impact on the Company's services and solutions, leading to potential harm to the business and costly corrections. Some suppliers may try to avoid taking full responsibility for any errors, defects, or failures, potentially leaving the Company accountable to its customers or external suppliers.

Considering the importance of certain projects and the trust placed in the Company by government clients, preliminary project work and development activities may be initiated before a contract is signed. There may be a delay between when project costs are incurred and when revenues are recognized, in line with accounting standards. Thus, if the Company doesn't secure a signed contract from the client within the specified timeframe, it could result in a decrease in the Company's revenues or an inability to collect payments for the costs already incurred in executing and developing activities.

Interest rate risk

Interest rate risk is exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on the Company's financial position and cash flows. The Company is exposed to interest rate risk for its interest-bearing assets and liabilities, which are mainly Murabaha deposits. Management monitors and controls interest rate fluctuations. Management monitors changes in interest rates and believes that cash flow and interest rate exposures for the fair value of the Company aren't material.

The Company's receivables and payables measured at amortized cost are not exposed to interest rate risk as defined in IFRS 7 as market interest rate fluctuations wouldn't affect the carrying amount or future cash flows. Therefore, the Company is not exposed to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when future transactions, assets and liabilities are recognized in a currency other than SAR. The Company's foreign currency exposure is mainly limited to the US dollar, the Jordanian dinar and the EUR transactions. The management believes that foreign currency exposures are minimal, as SAR is pegged to the US dollar, Euro exchange rate fluctuations are monitored on an ongoing basis, and handle price transfers and US dollar transactions upon request.

The management monitors foreign exchange rate fluctuations and believes that the Company has no significant exposure to exchange rate changes, as the Company's transactions in currencies other than SAR are not significant.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Credit Risk

Credit risk is the potential financial losses that may arise if a client or counterparty fails to fulfill their contractual obligations. This risk primarily arises from the Company's client and employee receivables.

The carrying amounts of trade receivables and contract assets represent the maximum exposure to credit risk, is outlined below:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash and cash equivalents	50,558,093	63,892,775
Accounts receivable	89,964,543	60,784,361
Contract assets	71,646,447	33,161,652
Other assets	10,511,632	3,014,545

The following is a breakdown of the movements in ECL provision, and a summary of the trade receivables and contract assets during the year:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	2,476,648	497,244
ECL Provision on accounts receivable	896,304	1,979,404
ECL Provision on contract assets	3,346,025	-
Balance at end of the year	<u>6,718,977</u>	<u>2,476,648</u>

The credit risk exposure for trade receivables and contract assets, categorized by customer type (government or private sector), is outlined below:

	<u>Accounts receivable</u>		<u>Contract Assets</u>	
	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Government	55,241,999	25,633,274	46,446,848	20,334,075
Trade	34,722,544	35,151,087	25,199,599	12,827,577
	<u>89,964,543</u>	<u>60,784,361</u>	<u>71,646,447</u>	<u>33,161,652</u>

The following are the bank credit ratings and balances with those banks the Group transacts business with as at 31 December 2023:

	<u>31 December 2023</u>	<u>31 December 2022</u>
A3	16,404,440	32,881,691
AAB1	24,126,484	31,011,084
B1	27,169	-
	<u>40,558,093</u>	<u>63,892,775</u>

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Credit Risk (Continued)

The following tables provide details on credit risk exposure and ECL on accounts receivable:

	Government receivables					
	31 December 2023			31 December 2022		
	Total carrying amount	Impairment provision	ECL rate	Total carrying amount	Impairment provision	ECL rate
0 – 90 Days	38,830,508	204,462	%0.53	22,434,316	186,927	%0.83
91 – 180 Days	12,423,137	65,414	%0.53	969,539	8,078	%0.83
181 – 365 Days	2,773,448	14,604	%0.53	1,222,109	10,183	%0.83
More than 365 Days	1,214,906	6,397	%0.53	1,007,310	8,394	%0.83
	<u>55,241,999</u>	<u>290,877</u>		<u>25,633,274</u>	<u>213,582</u>	

	Trade receivables					
	31 December 2023			31 December 2022		
	Total carrying amount	Impairment provision	ECL rate	Total carrying amount	Impairment provision	ECL rate
0 – 90 Days	25,856,490	1,061,243	4%	27,061,417	1,742,244	6%
91 – 180 Days	1,993,242	275,644	14%	4,781,220	307,820	6%
181 – 365 Days	1,830,478	358,556	20%	2,026,885	130,493	6%
More than 365 Days	5,042,334	1,386,632	27%	1,281,565	82,509	6%
	<u>34,722,544</u>	<u>3,082,075</u>		<u>35,151,087</u>	<u>2,263,066</u>	

The following tables provide details on credit risk exposure and ECL on contract assets:

	Government contract assets					
	31 December 2023			31 December 2022		
	Total carrying amount	Impairment provision	ECL rate	Total carrying amount	Impairment provision	ECL rate
0 – 90 Days	37,847,580	199,512	%0.53	17,872,773	-	-
91 – 180 Days	1,791,984	9,436	%0.53	2,461,302	-	-
181 – 365 Days	-	-	-	-	-	-
More than 365 Days	6,807,284	35,844	%0.53	-	-	-
	<u>46,446,848</u>	<u>244,792</u>		<u>20,334,075</u>	<u>-</u>	

	Trade contract assets					
	31 December 2023			31 December 2022		
	Total carrying amount	Impairment provision	ECL rate	Total carrying amount	Impairment provision	ECL rate
0 – 90 Days	14,955,655	692,361	5%	12,827,577	-	-
91 – 180 Days	1,979,137	136,065	7%	-	-	-
181 – 365 Days	-	-	-	-	-	-
More than 365 Days	8,264,807	2,272,807	27%	-	-	-
	<u>25,199,599</u>	<u>3,101,233</u>		<u>12,827,577</u>	<u>-</u>	

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Credit Risk (Continued)

The Group employs a customized matrix to compute ECL. This matrix is originally derived using historical default rates. The Group adjusts the matrix through calibration to account for both existing credit losses and anticipated future information. At each financial reporting date, the Group revises the historical default rates, which subsequently affects future forecasts. Furthermore, the Group computes further provisions for particular events.

- a. The Group uses a customized matrix to calculate the time value of money for government receivables. This involves estimating the expected date of collection by considering several assumptions and inputs, such as the historical collection experience with the customer.

An impairment of a financial asset occurs when one or more occurrences have a detrimental impact on the estimated future cash flows of that asset. Observable data concerning the following events serves as evidence of impairment on a financial asset:

- significant financial difficulty of the borrower or issuer;
- Breach of contract, such as delay or default;
- The lender(s) providing the borrower with a concession (or concessions) due to the borrower's financial difficulties, without considering it as part of their decision-making process, either for economic or contractual reasons;
- It is likely that the borrower will file for bankruptcy or undergo financial restructuring; and
- The disappearance of an active market for that financial asset due to financial difficulties.

Definition of default

The Group identifies the following events as default events for the purpose of internal credit risk management. This is based on historical experience which suggests that receivables meeting any of these criteria are typically not recoverable.

- In the event of the counterparty's failure to meet its financial obligations; or
- Internal analysis and external sources suggest that the debtor is unlikely to fulfill its debt obligations, disregarding any collaterals held by the Group.

Write off

The Group writes off a financial asset when there are clear signs that the counterparty is facing significant financial difficulties and there is little to no realistic chance of recovery. For instance, in situations where the counterparty is undergoing liquidation or has filed for bankruptcy. Financial assets that have been written off may still be subject to enforcement activities according to the Group's recovery procedures, with consideration of legal advice when necessary. Recoveries are recognized in the consolidated statement of profit or loss.

Credit concentration

Credit risk concentrations can occur when multiple counterparties are involved in similar activities, operating in the same geographic region, or sharing similar economic characteristics as a result of changes in economic policies or other conditions.

No undue credit risk concentrations have been identified by management at the date of the consolidated statement of financial position.

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Factors (Continued)

Liquidity Risk

It is the risk that the entity will encounter difficulty in obtaining the financing necessary to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. at year-end financial assets comprise of bank balances, accounts receivable and due from related parties. These assets can be utilized to fulfill any fluctuating liquidity requirements. The Group monitors expected cash flows on a regular basis to ensure that positive cash flows from operating activities are available to finance the Group's future obligations. The table below summarizes the maturity profile of the Group's financial liabilities based on expected maturities:

	31 December 2023			Undiscounted Value
	Carrying Amount	Less than 1 year	More than 1 year	
Lease liabilities	454,317	226,085	228,232	472,514
Trade payables	68,769,438	68,769,438	-	68,769,438
Accruals and other liabilities	21,405,673	21,405,673	-	21,405,673
	<u>90,629,428</u>	<u>90,401,196</u>	<u>228,232</u>	<u>90,647,625</u>
	31 December 2022			
	Carrying Amount	Less than 1 year	More than 1 year	Undiscounted Value
Lease liabilities	898,431	444,595	453,836	942,685
Trade payables	53,790,842	53,790,842	-	53,790,842
Accruals and other liabilities	15,932,730	15,932,730	-	15,932,730
	<u>70,622,003</u>	<u>70,168,167</u>	<u>453,836</u>	<u>70,666,257</u>

28. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability between knowledgeable willing parties in an arm's length transaction at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date .
- Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial liabilities are classified as financial liabilities measured at amortized cost as at 31 December 2023 (31 December 2022).

AXELERATED SOLUTIONS INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All Amounts in SAR)

29. RECLASSIFICATION OF COMPARATIVE YEAR

The following is the reclassification of balances for the year ended 31 December 2022:

<u>Item</u>	<u>Note</u>	<u>Balance Before Adjustment Debit / (Credit)</u>	<u>Reclassification Debit / (Credit)</u>	<u>Balance After Adjustment Debit / (Credit)</u>	<u>Comment</u>
1. Consolidated Statement of Financial Position					
Contract assets		-	33,161,652	33,161,652	Reclassification of contract assets that mainly pertain to the Group's entitlement to receive consideration for services provided to customers, but have not yet been billed as at the reporting date.
Prepayments and other current assets		36,176,197	(33,161,652)	3,014,545	

30. DIVIDENDS

- On 13 July 2023, the distribution of cash dividends for the period from 1 January 2023 to 30 June 2023, was approved by the Extraordinary General Assembly, at SAR 0.80 per share, totaling SAR 2,000,000. The dividend payments were made during the year ended 31 December 2023.
- On 26 December 2023, the Board of Directors, with the approval of the General Assembly, authorized the distribution of cash dividends for the period from 1 July 2023 to 31 December 2023, at SAR 0.08 per share, totaling SAR 2,000,000. The dividend payments were made during the year ended 31 December 2023 (31 December 2022: SAR 2,000,000, proportionate to each partner's share in the capital).

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Group's Board of Directors on 6 Dhu al-Qaadah 1445 AH, (corresponding to 14 May 2024).