

**Maharah for Human Resource Company  
(A Saudi Closed Joint Stock Company)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
MAHARAH FOR HUMAN RESOURCE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**Scope of audit:**

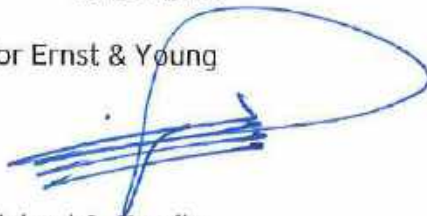
We have audited the accompanying balance sheet of Maharah for Human Resource Company (A Saudi Closed Joint Stock Company) (the "Company") as at 31 December 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- 2) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

For Ernst & Young



Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437



Riyadh: 8 Jumad Thani 1438H  
(7 March 2017)

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

**BALANCE SHEET**

As at 31 December 2016

	<i>Notes</i>	<b>2016 SR</b>	<b>2015 SR</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	190,906,099	186,385,682
Time deposits	4	16,344,690	70,170,243
Accounts receivable, unbilled receivables and other	5	105,099,184	110,602,348
Prepayments and other receivables	6	99,479,435	78,125,250
Available visas	7	19,480,000	40,566,712
<b>TOTAL CURRENT ASSETS</b>		<b>431,309,408</b>	<b>485,850,235</b>
<b>NON-CURRENT ASSETS</b>			
Used visas – non-current portion	6	7,309,312	9,332,184
Prepaid recruitment expenses – non-current portion		11,490,784	5,848,019
Investment in an unconsolidated subsidiary	9	-	27,500
Cash margin against license guarantee letter	8	10,000,000	10,000,000
Property and equipment	10	92,795,357	82,727,295
Available for sale investment	11	30,680,240	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>152,275,693</b>	<b>107,934,998</b>
<b>TOTAL ASSETS</b>		<b>583,585,101</b>	<b>593,785,233</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Retained deposits and deferred revenues	12	155,133,813	92,524,235
Accounts payable, accruals and others	13	122,147,936	128,078,264
Zakat payable	14	10,975,623	9,321,790
<b>TOTAL CURRENT LIABILITIES</b>		<b>288,257,372</b>	<b>229,924,289</b>
<b>NON-CURRENT LIABILITIES</b>			
Employees' terminal benefits		31,543,006	21,222,037
Retained deposits – non-current portion		48,278,239	87,247,059
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>79,821,245</b>	<b>108,469,096</b>
<b>TOTAL LIABILITIES</b>		<b>368,078,617</b>	<b>338,393,385</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital	15	100,000,000	100,000,000
Statutory reserve		30,000,000	28,539,185
Consensual reserve	17	-	14,269,593
Retained earnings		85,506,484	112,583,070
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>215,506,484</b>	<b>255,391,848</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>583,585,101</b>	<b>593,785,233</b>

The attached notes 1 to 29 form part of these financial statements.

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF INCOME**  
**Year ended 31 December 2016**

	<i>Notes</i>	<b>2016</b> <b>SR</b>	<b>2015</b> <b>SR</b>
Revenue		1,166,757,907	957,757,005
Cost of revenue		(843,386,691)	(693,205,978)
<b>GROSS PROFIT</b>		<b>323,371,216</b>	<b>264,551,027</b>
<b>EXPENSES</b>			
General and administration	18	(66,352,024)	(57,882,836)
Marketing	19	(28,213,083)	(1,412,128)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>228,806,109</b>	<b>205,256,063</b>
Other income		5,167,680	3,088,131
<b>INCOME BEFORE ZAKAT</b>		<b>233,973,789</b>	<b>208,344,194</b>
Zakat	14	(8,136,965)	(9,151,737)
<b>NET INCOME FOR THE YEAR</b>		<b>225,836,824</b>	<b>199,192,457</b>
<b>EARNINGS PER SHARE</b>			
Attributable to income from main operations	20	22.88	20.53
Attributable to net income for the year	20	22.58	19.92

The attached notes 1 to 29 form part of these financial statements.



# Maharah for Human Resource Company

(A Saudi Closed Joint Stock Company)

## STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 SR	2015 SR
<b>OPERATING ACTIVITIES</b>			
Income before zakat		233,973,789	208,344,194
Adjustments for:			
Amortization of used visas	6	33,685,490	27,370,236
Depreciation of property and equipment	10, 18	5,145,279	3,038,431
Loss on disposal of property and equipment		-	2,854
Employees' terminal benefits		19,487,179	17,347,719
Provision for doubtful debts	5, 19	25,744,660	534,896
Earnings from time deposits		(1,703,183)	(170,243)
		<u>316,333,214</u>	<u>256,468,087</u>
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and others		(78,873,564)	(115,753,905)
Available visas		21,086,712	(3,998,000)
Retained deposits and deferred revenues		23,640,758	61,119,864
Accounts payable, accruals and others		(5,930,328)	94,628,881
		<u>276,256,792</u>	<u>292,464,927</u>
Cash generated from operations			
Zakat paid	14	(6,483,132)	(3,479,289)
Employees' terminal benefits paid		(9,166,210)	(2,835,220)
		<u>260,607,450</u>	<u>286,150,418</u>
Net cash generated from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	(15,666,873)	(47,748,295)
Proceeds from disposal of property and equipment		453,532	25,533,050
Purchase of available for sale investment		(30,680,240)	-
Investment in unconsolidated subsidiary		-	(27,500)
Time deposits		55,528,736	(70,000,000)
		<u>9,635,155</u>	<u>(92,242,745)</u>
Net cash generated from (used in) investing activities			
<b>FINANCING ACTIVITY</b>			
Dividends paid	16	(265,722,188)	(105,000,000)
		<u>(265,722,188)</u>	<u>(105,000,000)</u>
Cash used in financing activity			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>4,520,417</u>	<u>88,907,673</u>
Cash and cash equivalents at the beginning of the year		<u>186,385,682</u>	<u>97,478,009</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>190,906,099</u></u>	<u><u>186,385,682</u></u>
<b>Significant non-cash transaction:</b>			
Investment in an unconsolidated subsidiary transferred to an affiliate		<u>27,500</u>	<u>-</u>

The attached notes 1 to 29 form part of these financial statements.

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year ended 31 December 2016**

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Consensual reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2014	100,000,000	8,619,939	4,309,970	48,269,482	161,199,391
Net income for the year	-	-	-	199,192,457	199,192,457
Transfer to statutory reserve	-	19,919,246	-	(19,919,246)	-
Transfer to consensual reserve (note 17)	-	-	9,959,623	(9,959,623)	-
Dividends (note 16)	-	-	-	(105,000,000)	(105,000,000)
Balance at 31 December 2015	100,000,000	28,539,185	14,269,593	112,583,070	255,391,848
Net income for the year	-	-	-	225,836,824	225,836,824
Transfer to statutory reserve	-	1,460,815	-	(1,460,815)	-
Dividends (note 16)	-	-	(14,269,593)	(251,452,595)	(265,722,188)
<b>Balance at 31 December 2016</b>	<b>100,000,000</b>	<b>30,000,000</b>	<b>-</b>	<b>85,506,484</b>	<b>215,506,484</b>

The attached notes 1 to 29 form part of these financial statements.

# Maharah for Human Resource Company

## (A Saudi Closed Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

#### 1 ACTIVITIES

Maharah For Human Resources Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010364538 and dated 7 Rabi Thani 1434H, corresponding to 17 February 2013.

The Company is engaged in providing recruitment services for public and private sectors.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

##### **Cash and cash equivalents**

Cash and cash equivalents consist of bank balances and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when placed.

##### **Accounts receivable**

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

##### **Impairment and un-collectability of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, impairment loss is recognised in the statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

##### **Available, used visas and recruitment costs**

###### Purchased visas

Purchased visas represent the amounts paid to the government authorities against issuing manpower visas and are recorded at cost.

###### Used visas

Visas which are used in recruitment and are transferred from purchased visas are classified under used visas and amortized in the statement of income on straight-line basis over two years or over the contract period whichever is shorter. The amount of visas amortized in the statement of income in case of termination of the contract or occurrence of anything that prevents the continuation of the service. Used visas are classified under current assets and non-current assets accordingly.



# Maharah for Human Resource Company

## (A Saudi Closed Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Available visas

Available visas represent the unused balance of visas purchased. As per Saudi law, the Company, upon its wish, may return the amount of visas. Available visas are classified under current assets.

##### Recruitment costs

Recruitment costs represent the amount paid to recruitment agencies in connection with services obtained. These costs are amortised in the statement of income over two years in line with the contract period. These amounts are appropriately presented under current and non-current assets.

##### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Lands and capital work in progress are not depreciated. The cost less estimated residual value of other items of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the shorter of useful lives of the improvements or the lease term.

Expenditure for repair and maintenance is charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

##### Available for sale investment

Investment in available for sale securities is stated at fair value and included under non-current assets in the balance sheet unless the Company intends to sell those investments in next fiscal year. Unrealized gains or losses are included in the statement of changes in partners' equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gains or losses previously reported in the equity is included in the statement of income for the year. Fair value is determined based on the market value if an open market exists or by using alternative revaluation methods. Otherwise cost is considered to be the fair value.

##### Impairment of non-financial assets

The Company periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the statement of income.

For all non-financial assets except goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so 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 cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately. Impairment recorded against the carrying value of goodwill is not reversed subsequently.

##### Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

##### Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.



# Maharah for Human Resource Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
At 31 December 2016

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Retained deposits and deferred revenues**

Retained deposits represent the amounts equivalent to two-month salary collected as security and retained with the Company until the completion/termination of contract. These amounts are appropriately presented under current and non-current liabilities.

Deferred revenues represent the amounts collected from customers in advance when signing the contracts of providing manpower services. These amounts are recognized under revenue in the statement of income of the Company when earned.

### **Zakat**

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

### **Employees' terminal benefits**

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the balance sheet date.

### **Dividend distribution**

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded when approved by the Board of Directors.

### **Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the capital. Accordingly, the Company has set aside equivalent amount from net income to the statutory reserve to make the reserve equal to 30% of the capital. The reserve is not available for distribution.

### **Revenue recognition**

Revenue represents the activity prices of manpower services provided by the Company to the public and private sectors and individuals during the year. Revenue is measured and recognized in accordance with the contracts, according to accrual basis at the time of providing service to customers.

Other income is recognized when earned.

### **Operating leases**

Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the term of lease.

### **Costs and expenses**

Costs which directly related to services providing are classified as cost of revenue. Costs which are attributable to marketing, promotional activities and bad debts are classified as marketing expenses. All other indirect expenses are classified as general and administration expenses.

### **Segmental Reporting**

A segment is a distinguishable component of the Company that is engaged in either providing products or services (a business segment), or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

### **Foreign currencies**

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**At 31 December 2016**

**3 CASH AND CASH EQUIVALENTS**

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Bank balances	120,906,099	176,385,516
Short term deposits with current maturity of 3 months or less	70,000,000	10,000,166
	<u>190,906,099</u>	<u>186,385,682</u>

**4 TIME DEPOSITS**

Time deposits represent deposits with local commercial banks having a maturity of more than three months from date of acquisition. The variable special commission rates on the time deposits as at 31 December 2016 are based on prevailing commercial market rates.

**5 ACCOUNTS RECEIVABLE, UNBILLED RECEIVABLES AND OTHER**

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Accounts receivable	119,186,103	103,939,325
Less: provision for doubtful debts	(26,279,556)	(534,896)
	<u>92,906,547</u>	<u>103,404,429</u>
Amounts due from related parties (note 9)	9,368,907	7,197,919
Unbilled receivables	2,823,730	-
	<u>105,099,184</u>	<u>110,602,348</u>

The five largest customers account for 30% (2015: 38%) of outstanding accounts receivable at year end.

At 31 December 2016, accounts receivable at nominal value of SR 26.3 million (2015: SR 0.5 million) were impaired. Movements in the allowance for doubtful debts were as follows:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
At the beginning of the year	534,896	-
Provided during the year (note 19)	25,744,660	534,896
At the end of the year	<u>26,279,556</u>	<u>534,896</u>

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

	<i>Total</i> <i>SR</i>	<i>&lt;90 days</i> <i>SR</i>	<i>91-180 days</i> <i>SR</i>	<i>&gt;181 days and</i> <i>more</i> <i>SR</i>
<i>2016</i>	92,906,547	88,871,591	1,702,530	2,332,426
<i>2015</i>	103,404,429	91,729,263	7,881,394	3,793,772

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 At 31 December 2016

**6 PREPAYMENTS AND OTHER RECEIVABLES**

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Residence fees and work permits	40,800,078	43,360,947
Prepaid recruitment expenses	30,589,367	9,703,018
Used visas (*)	19,237,715	15,229,621
Prepaid insurance	3,529,123	6,829,759
Advances to suppliers	2,009,339	1,113,349
Prepaid rent	1,635,613	1,107,346
Others	1,678,200	781,210
	<u>99,479,435</u>	<u>78,125,250</u>

(\*) The movement in used visas during the year was as follows:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Opening balance	24,561,805	20,280,041
Used visas transferred during the year (note 7)	35,670,712	31,652,000
Amortized during the year	(33,685,490)	(27,370,236)
Net balance of used visas at the end of the year	<u>26,547,027</u>	<u>24,561,805</u>

The net balance of used visas is presented as below:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Current portion (as shown above)	19,237,715	15,229,621
Non-current portion	7,309,312	9,332,184
Net balance of used visas at the end of the year	<u>26,547,027</u>	<u>24,561,805</u>

**7 AVAILABLE VISAS**

Available visas represent the balance of unused visas until the date of the financial statements. Amounts of available visas are transferred to used visas when issuing visas to the recruited manpower.

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Opening balance	40,566,712	36,568,712
Purchased visas during the year	14,584,000	35,650,000
Transferred to used visas during the year (note 6)	(35,670,712)	(31,652,000)
Net balance of available visas at the end of the year	<u>19,480,000</u>	<u>40,566,712</u>

**8 CASH MARGIN AGAINST LICENSE GUARANTEE LETTER**

Letter of guarantee represents the letter submitted to Ministry of Labor and Social Development against issuance of recruitment license for the Company. This letter is valid until 14 Sha'ban 1445, corresponding to 24 February 2024. The guarantee letter is secured against 100% cash margin.

**Maharah for Human Resource Company**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
At 31 December 2016

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of major related party transactions during the year and the related balances at the year end.

<i>Related party</i>	<i>Nature of transactions</i>	<i>Relationship</i>	<i>Amount of transactions</i>		<i>Balances</i>	
			<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
			<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Due from related parties</b>						
Maharah Holding Company	Financing	Affiliate	4,052,650	-	4,080,150	-
	Transfer of investment in an unconsolidated subsidiary		27,500	-	-	-
Spectra Support Services	Services	Affiliate	40,932,620	27,138,773	5,288,757	2,495,269
	Payment		(38,139,132)	-	-	-
Al Khebra Architectural Company	Payments / Services	Shareholder	(4,000,000)	26,072,400	-	4,000,000
Mahara Travel and Tourism Company	Payment	Affiliate	(702,650)	702,650	-	702,650
					<u>9,368,907</u>	<u>7,197,919</u>
<b>Due to related parties</b>						
Mahara Travel and Tourism Company	Services	Affiliate	13,720,691	-	372,551	-
Spectra Support Services	Services	Affiliate	-	4,227,797	-	2,661,000
Shareholder	Sale of land	Shareholder	-	7,150,000	-	-
Key management person	Sale of land	Key management person	-	18,265,500	-	-
Directors	Board remuneration and bonus (notes 13 and 18)	Key management staff	1,600,000	7,970,599	1,600,000	7,970,599
					<u>1,972,551</u>	<u>10,631,599</u>

Amounts due from and due to related parties are shown in notes 5 and 13.



**Maharah for Human Resource Company**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
At 31 December 2016

**10 PROPERTY AND EQUIPMENT**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	<b>Lands</b> <b>SR</b>	<b>Buildings</b> <b>SR</b>	<b>Leasehold improvement</b> <b>SR</b>	<b>Furniture and fixtures</b> <b>SR</b>	<b>Office equipment</b> <b>SR</b>	<b>Vehicles</b> <b>SR</b>	<b>Capital work in progress</b> <b>SR</b>	<b>Total</b> <b>2016</b> <b>SR</b>	<b>Total</b> <b>2015</b> <b>SR</b>
<b>Leasehold improvements</b>									
<b>Furniture and fixtures</b>									
<b>Buildings</b>									
	10 years	10 years	Office equipment	4 -10 years					
	10 years	20 years	Vehicle	4 years					
	20 years								
<b>Cost:</b>									
At the beginning of the year	38,077,300	14,178,969	13,971,671	2,980,071	7,750,673	2,743,700	8,858,112	88,560,496	66,370,001
Additions	1,332,500	1,263,003	1,478,991	837,362	2,130,098	3,429,600	5,195,319	15,666,873	47,748,295
Transfers	-	7,854,461	-	-	67,616	-	(7,922,077)	-	-
Disposals	-	-	-	-	-	(532,500)	-	(532,500)	(25,557,800)
At the end of the year	39,409,800	23,296,433	15,450,662	3,817,433	9,948,387	5,640,800	6,131,354	103,694,869	88,560,496
<b>Depreciation:</b>									
At the beginning of the year	-	168,447	3,211,002	454,852	1,344,906	653,994	-	5,833,201	2,816,666
Charge for the year	-	827,438	1,482,328	338,283	1,534,854	962,376	-	5,145,279	3,038,431
Disposals	-	-	-	-	-	(78,968)	-	(78,968)	(21,896)
At the end of the year	-	995,885	4,693,330	793,135	2,879,760	1,537,402	-	10,899,512	5,833,201
<b>Net book amounts:</b>									
<b>At 31 December 2016</b>	<b>39,409,800</b>	<b>22,300,548</b>	<b>10,757,332</b>	<b>3,024,298</b>	<b>7,068,627</b>	<b>4,103,398</b>	<b>6,131,354</b>	<b>92,795,357</b>	
<b>At 31 December 2015</b>	<b>38,077,300</b>	<b>14,010,522</b>	<b>10,760,669</b>	<b>2,525,219</b>	<b>6,405,767</b>	<b>2,089,706</b>	<b>8,858,112</b>		<b>82,727,295</b>

# Maharah for Human Resource Company

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

### 11 AVAILABLE FOR SALE INVESTMENT

This represents investment in a mutual fund named Commodity SAR Fund comprising 206,988.44 units carried at SR 148.222 per unit.

### 12 RETAINED DEPOSITS AND DEFERRED REVENUES

	2016 SR	2015 SR
Retained deposits – current portion	110,453,851	80,383,598
Deferred revenues	44,679,962	12,140,637
	<u>155,133,813</u>	<u>92,524,235</u>

### 13 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2016 SR	2015 SR
Accrued tickets and vacations	79,479,619	60,883,005
Accrued salaries and benefits	20,896,499	37,311,757
Advances from customers	5,904,670	-
Accounts payable	5,230,842	12,694,375
Provision for operational risk (note 23)	5,079,200	4,480,000
Amounts due to related parties (note 9)	1,972,551	10,631,599
Others	3,584,555	2,077,528
	<u>122,147,936</u>	<u>128,078,264</u>

### 14 ZAKAT

#### Charge for the year

The zakat charge amounting to SR 8,136,965 (2015: SR 9,151,737) consists of current year provision and is based on the following:

	2016 SR	2015 SR
Shareholders' equity	128,539,185	112,929,909
Opening provisions and other adjustments	12,590,723	107,152,527
Book value of long term assets	(91,577,707)	(82,754,795)
	<u>49,552,201</u>	<u>137,327,641</u>
Zakatable income for the year	275,926,399	228,741,831
Zakat base	<u>325,478,600</u>	<u>366,069,472</u>
Zakat provision @ 2.5%	<u>8,136,965</u>	<u>9,151,737</u>

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in calculation of zakatable income.

# Maharah for Human Resource Company (A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued) At 31 December 2016

### 14 ZAKAT (continued)

#### Movement of zakat provision

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

	2016 SR	2015 SR
At the beginning of year	9,321,790	3,649,342
Provided for the year	8,136,965	9,151,737
Paid during the year	(6,483,132)	(3,479,289)
At the end of year	<u>10,975,623</u>	<u>9,321,790</u>

#### Status of zakat assessments

The Company has submitted its zakat return for all years up to 31 December 2015 with the General Authority for Zakat and Tax (GAZT) and obtained zakat certificates but the final assessments have not been raised yet.

### 15 CAPITAL

Capital is divided into 10 million shares of SR 10 each as of 31 December 2016 and 2015.

### 16 DIVIDENDS

In the meeting dated 27 Dhul-Hijjah 1437H (corresponding to 28 September 2016), the Company's Board of Directors (the "BOD") declared dividends amounting to SR 165.7 million, which was paid during the year. The amounts transferred from consensual reserve to retained earnings during the year were partly utilised to pay these dividends.

In the meeting dated 4 Rajab 1437H (corresponding to 11 April 2016), the Company's Board of Directors declared dividends amounting to SR 100 million, which was paid during the year.

In the meeting dated 8 Dhul-Qadah 1436H (corresponding to 23 August 2015), the general assembly has ratified the dividends amounting to SR 25 million, which was paid during 2015.

In the meeting dated 12 Rajab 1437H (corresponding to 19 April 2016), the general assembly has ratified the dividends amounting to SR 80 million, which was paid during 2015. In the same meeting dividends amounting to SR 100 million were also ratified by the general assembly which were declared based on the recommendation of Board of Directors in their meeting on 4 Rajab 1437H (corresponding to 11 April 2016).

### 17 CONSENSUAL RESERVE

In accordance with the Company's by-laws and based on the proposal of the Board of Directors, 5% of the net income of the year has been transferred to the consensual reserve, to be allocated for certain purposes. During 2016, the BOD has decided to release this reserve set aside last year to pay dividends.

**Maharah for Human Resource Company**  
**(A Saudi Closed Joint Stock Company)**

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 At 31 December 2016

**18 GENERAL AND ADMINISTRATION EXPENSES**

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Employee costs	47,255,725	36,573,322
Board remuneration and bonus (note 9)	1,600,000	7,970,599
Rent	1,459,884	1,814,010
Depreciation (note 10)	5,145,279	3,038,431
Professional fees	2,658,763	1,129,536
Bank charges	2,129,295	1,487,822
Utilities	1,247,797	939,375
Repairs and maintenance	848,308	856,042
Travel	648,562	81,975
Others	3,358,411	3,991,724
	<u>66,352,024</u>	<u>57,882,836</u>

**19 MARKETING EXPENSES**

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Provision for doubtful debts (note 5)	25,744,660	534,896
Advertisements	2,302,437	728,262
Marketing commission	165,986	148,970
	<u>28,213,083</u>	<u>1,412,128</u>

**20 EARNINGS PER SHARE**

Earnings per share is calculated based on the weighted average number of outstanding shares during the year. The weighted average number of outstanding shares for the year ended 31 December 2016 and 2015 were 10 million shares.

**21 OPERATING LEASES**

Rent expenses are related to operating leases. During 2016, an amount of SR 5,318,996 (2015: 6,239,268) was recognised in the statement of income in respect of operating leases under general and administration expenses and cost of revenue.

**22 SEGMENTAL REPORTING**

These are attributable to the Company's activities and business lines approved by management to be used as a basis for the financial reporting and are consistent with the internal reporting process. The segments' results comprise items that are directly attributable to a certain segment and items that can be reasonably allocated between the main business segments.

The Company is organised into the following main business segments:

	<i>Corporate</i>		<i>Individual</i>		<i>Total</i>	
	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Revenue	977,366,677	909,841,981	189,391,230	47,915,024	1,166,757,907	957,757,005
Gross profit	263,395,261	250,026,875	59,975,955	14,524,152	323,371,216	264,551,027

It is impracticable to disclose information pertaining to net book value of property and equipment, total assets and total liabilities pertaining to these business segments. The primary market for the Company's activities and services is the Kingdom of Saudi Arabia and hence geographical segmental information is not applicable in this case.



# Maharah for Human Resource Company

## (A Saudi Closed Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

#### 23 RISK MANAGEMENT

##### *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest bearing assets including cash and cash equivalents and time deposits which is not likely to be significant. The Company does not have any interest bearing liability at the balance sheet date.

##### *Credit risk*

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages its liquidity risk by ensuring that necessary funds are available. The Company's terms of providing service require amounts to be paid within 30 days from the date of invoice issuance. Payables are normally settled within 30 days of the date of contract.

##### *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

##### *Operational Risk*

Operational risk is the risk that the Company will encounter difficulties in providing the required manpower or failing to complete the period of the contract due to rejection of work, lack of good work performance, escape, death and change of related laws and regulations. The Company seeks to manage the operation risks by monitoring these cases on a regular basis in order to avoid or reduce occurrence of such cases. The Company also provides a provision to encounter these cases when occurred.

#### 24 CONTINGENT LIABILITIES

The Company's bankers have issued, on its behalf, guarantees amounting to SR 10,000,000 in respect of contract performance, in the normal course of business.

#### 25 KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### **Impairment of accounts receivable**

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of the past due receivables.

At the reporting date, gross accounts receivable were SR 119,186,103 with SR 26,279,556 being maintained as provision for doubtful debts (2015: gross accounts receivable of SR 103,939,325 with provision for doubtful debts of SR 534,896). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

##### **Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

# Maharah for Human Resource Company

## (A Saudi Closed Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

#### 25 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### **Zakat**

Significant judgment is required in determining the provision for zakat. There are many transactions and calculations for which the ultimate zakat determination is uncertain. The Company recognises liabilities for anticipated zakat based on estimation of whether additional zakat will be due.

#### 26 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of cash and cash equivalents, time deposits, accounts and other receivables and amounts due from related parties. Financial liabilities of the Company consist of accounts and other payables, accruals and amounts due to related parties. The fair values of financial instruments of the Company at the balance sheet date are not materially different from their carrying values.

#### 27 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 8 Jumad Thani 1438H (corresponding to 7 March 2017).

#### 28 COMPANY'S OPERATIONS

Following are Company's branches details as at 31 December 2016:

<i>Name</i>	<i>Commercial Registration Number</i>	<i>Date</i>
Al Yasameen	1010465207	2 Safar 1438 H
Al Moroj	1010436553	28 Shawwal 1436 H
Al Taawon	1010427484	9 Muhurram 1435 H
Jubail	2055021858	5 Rabi Thani 1435 H
Ar Rass	1132010975	7 Dhul-Qadah 1435 H
Al Rabwah	1010465209	2 Safar 1438 H
Suwaidi	1010427485	9 Muhurram 1435 H
Medina	4650076804	15 Rabi Awal 1436 H
Buraydah	1136056729	29 Jumad Awal 1437 H
Ha'il	2350043311	27 Rabi Thani 1436 H
Khamis Mushait	5855068093	15 Rabi Awal 1436 H
Khurais	1010436554	28 Shawwal 1436 H
Unaizah	1128019621	15 Rabi Awal 1436 H

#### 29 COMPARATIVE FIGURES

Certain of prior year amounts have been reclassified to conform with the current year presentation.