

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2022  
together with the  
**INDEPENDENT AUDITOR'S REPORT**

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2022

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## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company)

## Opinion

We have audited the consolidated financial statements of Al Moammar Information Systems Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

## Key audit matter: Revenue recognition

See Note 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group's contracts with customers include contracts with multiple products and services. The Group's revenue includes revenue from sale of hardware, licensing of software products, maintenance and consulting, value-added and other services amounted to SR 789.6 million for the year ended 31 December 2022 (2021: SR 638.8 million).</p> <p>As required under IFRS 15 - Revenue from Contracts with Customers, management identifies customer contracts relating to services provided, and for each type of contract identified, management determines the performance obligations that exist under the contract and the transaction price which represents revenue expected to be earned under the contract. Revenue is then allocated to the performance obligations under the contract using standalone pricing after taking into account stand-alone sales, observable data and market related data when available.</p> <p>Revenue is either recognised at a point in time or over time depending on the assessment made in each case against the requirements of IFRS 15.</p> <p>Due to the variety of complex contractual arrangements with the customers and vendors, risk of management override and involvement of management's judgement in certain contracts regarding (1) identifying distinct performance obligations, (2) determining whether the Group is acting as a principal or an agent, (3) determination of transaction price and (4) determination of the appropriate measurement and timing of recognition of different elements of revenue, revenue recognition was identified as a key audit matter.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of relevant controls in relation to revenue recognition;</li> <li>Reviewed the revenue recognition policy applied by the Group to ensure compliance with IFRS 15 requirements;</li> </ul> <p>In relation to the criteria utilised by the management to determine the appropriate level of revenue to be recognised we have, on a sample basis:</p> <ul style="list-style-type: none"> <li>Assessed the performance obligations identified to ensure consistency with the Terms and Conditions in the underlying contract.</li> <li>Traced the transaction price to the underlying contract executed with customer.</li> <li>Assessed if principal (gross) or agent (net) treatment should be applied and compared this to management's conclusion to determine if this was appropriate according to the criteria set out within the standard.</li> <li>Assessed whether the transaction price allocated to identified performance obligations is in line with IFRS 15.</li> <li>Assessed the timing of revenue recognition at a point in time or over period of time is as per the requirements of IFRS 15.</li> <li>Obtained the schedule prepared by the management detailing impact of assessment on revenues and assessed the completeness against reported revenue and assessed accuracy of the schedule on a sample basis.</li> </ul>

# Independent Auditor's Report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

## Key audit matter: Impairment of trade receivables and contract assets

See Notes 9 and 10 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the Group's gross trade receivables balance was SR 525 million (2021: SR 412 million) with impairment allowances of SR 28.0 million (2021: SR 28.6 million)</p> <p>As at 31 December 2022, the Group's gross contract assets balance was SR 663 million (2021: SR 581 million) with impairment allowances of SR 13.1 million (2021: SR 13.2 million).</p> <p>The Group determines impairment of trade receivables and contract assets under expected credit loss model, where allowance for credit losses is computed based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Group considered current and anticipated future economic conditions relating to customers the Group deals with. It also considered credit risk rating and other related information for government and government - controlled entities.</p> <p>We identified allowance for credit losses as a key audit matter because of the significant judgement involved in calculating the expected credit allowances. This required a high degree of auditor judgement and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimate of the expected credit allowances.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management's basis for the determination of allowance for credit losses for trade receivables and contract assets;</li> <li>• We performed procedures over 1) the methodology for the allowance for credit losses, including consideration of the current and estimated future economic conditions, 2) computation of the allowance for credit losses, and 3) completeness and accuracy of information used in the estimation of probability of default,</li> <li>• We evaluated the incorporation of the applicable assumptions into the estimate of expected credit losses and tested the mathematical accuracy and computation of the allowances by using the same input data used by the Group.</li> <li>• We evaluated the qualitative adjustment, including assessing the basis for the adjustments and the reasonableness of the significant assumptions.</li> <li>• Involved our specialist to review the methodology used in the expected credit loss model, including those used to calculate the likelihood of default and the subsequent loss on default. We also assessed the reasonableness of forward-looking factors used by the Group by corroborating with publicly available information.</li> <li>• Assessed any specific provisions included by management on long outstanding balances and rationale for any unprovided balances.</li> <li>• Assess proceeds received after year end as part of recoverability assessment.</li> <li>• Assessed the adequacy of the relevant disclosures in the Group's consolidated financial statements.</li> </ul>



## Independent Auditor's Report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## Independent Auditor's Report

To the Shareholders of Al Moammar Information Systems Company (A Saudi Joint Stock Company) (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Al Moammar Information Systems Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### KPMG Professional Services



**Fahad Mubark Aldossari**  
License No: 469



Riyadh, 28 February 2023  
Corresponding to: 8 Sha'ban 1444

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2022

		<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	40,622,269	42,386,878
Intangible assets	7	5,494,771	6,315,141
Equity-accounted investees	8A	8,807,719	6,551,183
Advance for investment	8B	25,000,000	25,000,000
Contract assets	9A	22,259,987	45,477,359
<b>Total non-current assets</b>		<b>102,184,746</b>	125,730,561
<b>Current assets</b>			
Contract assets	9A	628,031,875	522,265,988
Contract costs	9B	25,741,087	72,075,505
Trade and other receivables	10	506,985,897	388,122,120
Prepayments and other assets	11	191,957,831	22,007,053
Inventory	12	1,508,743	-
Cash and cash equivalents	13	152,283,200	21,563,199
<b>Total current assets</b>		<b>1,506,508,633</b>	1,026,033,865
<b>TOTAL ASSETS</b>		<b>1,608,693,379</b>	1,151,764,426
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	14	300,000,000	250,000,000
Statutory reserve	15	9,586,376	5,647,975
Other reserves	16	9,744,876	7,168,919
Retained earnings		51,767,686	70,842,327
<b>Total shareholders' equity</b>		<b>371,098,938</b>	333,659,221
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefits	18	22,891,760	22,575,107
Contract liabilities	19	9,986,647	24,495,304
Lease liabilities	20	90,844	368,055
<b>Total non-current liabilities</b>		<b>32,969,251</b>	47,438,466
<b>Current liabilities</b>			
Loans and borrowings	21	370,942,909	370,753,812
Trade and other payables	22	501,737,708	264,781,063
Other liabilities	23	682,753	4,181,537
Contract liabilities	19	322,614,569	123,499,301
Zakat payable	29	8,647,251	7,451,026
<b>Total current liabilities</b>		<b>1,204,625,190</b>	770,666,739
<b>Total liabilities</b>		<b>1,237,594,441</b>	818,105,205
<b>Total shareholders' equity and liabilities</b>		<b>1,608,693,379</b>	1,151,764,426



Ibrahim Abdullah Al  
Moammar

**Vice Chairman, Board of  
Directors**



Dr. Abdullah AlGhamdi

**Chief Executive Officer**



Karthik Ramaswamy Nagar  
Subramanian




**Chief Financial Officer**

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.



**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2022

	<i>Note</i>	<b>2022 SR</b>	<b>2021 SR</b>
Revenue	24	<b>789,621,989</b>	638,823,828
Cost of sales	25	<b>(586,847,849)</b>	(472,108,683)
<b>Gross profit</b>		<b>202,774,140</b>	166,715,145
General and administration expenses	26	<b>(86,778,161)</b>	(60,820,520)
Selling and marketing expenses	27	<b>(12,518,121)</b>	(10,159,776)
Impairment loss on trade receivables and contract assets	9,10	<b>(1,700,000)</b>	(18,470,961)
<b>Income from operations</b>		<b>101,777,858</b>	77,263,888
Other income		<b>3,010,136</b>	3,583,405
Share of profit of equity-accounted investees	8A	<b>6,115,191</b>	1,903,716
Gain on disposal of shares	8A	<b>15,238,980</b>	-
Finance costs	28	<b>(23,552,258)</b>	(18,911,999)
Finance income		<b>2,873,853</b>	1,041,544
<b>Income before Zakat</b>		<b>105,463,760</b>	64,880,554
Zakat	29	<b>(9,600,000)</b>	(8,400,805)
<b>Net income for the year</b>		<b>95,863,760</b>	56,479,749
<b>Other comprehensive profit</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements profit/(loss) on employees' defined benefit obligations	18	<b>2,575,957</b>	(273,661)
<b>Other comprehensive profit/(loss)</b>		<b>2,575,957</b>	(273,661)
<b>Total comprehensive income for the year</b>		<b>98,439,717</b>	56,206,088
<b>Earnings per share:</b>			
Basic and diluted earnings per share	30	<b>3.20</b>	1.88

 <b>Ibrahim Abdullah Al Moammar</b> <b>Vice Chairman, Board of Directors</b>	 <b>Dr. Abdullah AlGhamdi</b> <b>Chief Executive Officer</b>	 <b>Karthik Ramaswamy Nagar Subramanian</b> <b>Chief Financial Officer</b>
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The accompanying notes from 1 to 35 form an integral part of consolidated financial statements.

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Other reserves SR</i>	<i>Retained earnings SR</i>	<i>Total shareholders' equity SR</i>
Balance as at 1 January 2021	200,000,000	9,037,604	7,442,580	107,972,949	324,453,133
Net income for the year	-	-	-	56,479,749	56,479,749
Other comprehensive loss for the year (note 16)	-	-	(273,661)	-	(273,661)
Total comprehensive income for the year	-	-	(273,661)	56,479,749	56,206,088
Dividends (note 17)	-	-	-	(47,000,000)	(47,000,000)
Transfer to share capital (note 14)	50,000,000	(9,037,604)	-	(40,962,396)	-
Transfer to statutory reserve (note 15)	-	5,647,975	-	(5,647,975)	-
Balance as at 31 December 2021	250,000,000	5,647,975	7,168,919	70,842,327	333,659,221
Balance as at 1 January 2022	250,000,000	5,647,975	7,168,919	70,842,327	333,659,221
Net income for the year	-	-	-	95,863,760	95,863,760
Other comprehensive profit for the year (note 16)	-	-	2,575,957	-	2,575,957
Total comprehensive income for the year	-	-	2,575,957	95,863,760	98,439,717
Dividends (note 17)	-	-	-	(61,000,000)	(61,000,000)
Transfer to share capital (note 14)	50,000,000	(5,647,975)	-	(44,352,025)	-
Transfer to statutory reserve (note 15)	-	9,586,376	-	(9,586,376)	-
Balance as at 31 December 2022	300,000,000	9,586,376	9,744,876	51,767,686	371,098,938



**Ibrahim Abdullah Al Moammar**  
**Vice Chairman, Board of Directors**



**Dr. Abdullah AlGhamdi**  
**Chief Executive Officer**



**Karthik Ramaswamy Nagar Subramanian**  
**Chief Financial Officer**

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

		<i>31 December</i>	<i>31 December</i>
		<i>2022</i>	<i>2021</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
<b>Operating activities</b>			
Net income for the year		<b>95,863,761</b>	56,479,749
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	<b>3,663,863</b>	3,093,987
Amortization of intangible assets	7	<b>1,266,349</b>	793,300
Share of profit of equity-accounted investees	8A	<b>(6,115,191)</b>	(1,903,716)
Impairment loss on trade receivables and contract assets, net	9A,10	<b>1,700,000</b>	18,470,961
Impairment loss on contract costs	9B	<b>-</b>	14,568,541
Employee benefits	18	<b>7,003,011</b>	6,207,422
Finance costs	28	<b>23,552,258</b>	18,911,999
Finance income		<b>(2,873,853)</b>	(1,041,544)
Gain on sale of property and equipment		<b>-</b>	(2,001)
Gain on disposal of equity-accounted investee shares	8A	<b>(15,238,980)</b>	<b>-</b>
Zakat expense	29	<b>9,600,000</b>	8,400,805
		<b>118,421,218</b>	123,979,503
<i>Changes in working capital:</i>			
Contract assets		<b>(82,408,050)</b>	(197,091,992)
Contract costs		<b>46,334,418</b>	24,171,145
Trade and other receivables		<b>(118,311,864)</b>	115,868,678
Prepayments and other assets		<b>(169,950,773)</b>	(2,865,383)
Inventory		<b>(1,508,743)</b>	<b>-</b>
Trade and other payables		<b>236,975,216</b>	21,412,366
Other liabilities		<b>(3,498,784)</b>	(2,955,039)
Contract liabilities		<b>184,606,611</b>	(23,818,799)
<b>Net cash generated from operations</b>		<b>210,659,249</b>	58,700,479
Employee benefits paid	18	<b>(4,110,401)</b>	(4,029,918)
Zakat paid	29	<b>(8,403,775)</b>	(9,263,996)
<b>Net cash generated from operating activities</b>		<b>198,145,073</b>	45,406,565
<b>Investing activities</b>			
Acquisition of property and equipment	6	<b>(1,899,254)</b>	(8,127,561)
Acquisition of intangible assets	7	<b>(3,129,386)</b>	(5,018,751)
Advance for investment	8B	<b>-</b>	(25,000,000)
Proceeds from disposal of property and equipment		<b>-</b>	2,000
Dividend received from investee		<b>1,732,500</b>	271,875
Sale proceeds from disposal of equity accounted investee		<b>17,365,135</b>	<b>-</b>
<b>Net cash generated from/(used in) investing activities</b>		<b>14,068,995</b>	(37,872,437)
<b>Financing activities</b>			
Proceeds from loans and borrowings	21	<b>905,673,031</b>	787,537,111
Repayment of loans and borrowings	21	<b>(905,483,934)</b>	(788,725,438)
Finance costs paid		<b>(20,397,662)</b>	(18,881,009)
Payment of lease liabilities			
- Principle		<b>(258,638)</b>	(269,887)
- Interest	20	<b>(26,864)</b>	(40,613)
Dividends paid	31	<b>(61,000,000)</b>	(47,000,000)
<b>Net cash used in financing activities</b>		<b>(81,494,067)</b>	(67,379,836)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>130,720,001</b>	(59,845,708)
Cash and cash equivalents at the beginning of the year		<b>21,563,199</b>	81,408,907
<b>Cash and cash equivalents at the end of the year</b>	13	<b>152,283,200</b>	21,563,199

  
Ibrahim Abdullah Al Moammar

Vice Chairman, Board of Directors

  
Dr. Abdullah AlGhamdi

Chief Executive Officer

  
Karthik Ramaswamy

Nagar Subramanian

Chief Financial Officer

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2022

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**1. CORPORATE INFORMATION**

Al Moammar Information Systems Company (the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under Commercial registration number 1010063470 dated 10 Muharram 1407H (corresponding to 15 September 1986).

The registered office of the Company is located at following address:

Head Office and Central Region:  
6330 Al Thumamah Rd - Al Sahafa Dist.  
Unit No 1, 3296  
Riyadh 13315, Kingdom of Saudi Arabia

The Company is registered in KSA with the following branches as at 31 December 2022:

<u>Commercial registration number</u>	<u>Commercial registration date</u>	<u>Location</u>
4030097824	8 Rabi Awal 1414H	Jeddah
1010432047	12 Jumad Thani 1436H	Riyadh
2051011413	17 Rabi Awal 1407H	Al Khobar
4030288661	4 Rajab 1437H	Jeddah

The Company is engaged in providing information technology solutions services which includes operating systems, system analysis, software design and programming, software maintenance, web design, setting up the primary structure for web hosting, data processing services and related activities.

During 2021, the Group incorporated a wholly owned subsidiary “Excellence Medical Systems Company” (A one person company) under Commercial registration number 1010707294 with a paid up capital of SR 1,000,000. The primary business of this wholly owned subsidiary is to engage in providing supplies and maintenance of medical devices, laboratory products, operate tele-care and telemedicine centers and canteens or cafeterias in hospitals and storage of hazardous medical waste.

During December 2021, the Group incorporated a wholly owned subsidiary “Excellence Application Solutions Company” (A one person company) under Commercial registration number 1010063470 with a paid up capital of SR 1,000,000. The primary business of this wholly owned subsidiary is to engage with clients to nurture bold ideas and build innovative technology solutions by offering its expertise derived from its employees with long experience in managing such businesses, technical strength in the development of technologies and digital integration. The Company engages in developing leading-edge platforms and products such as buy now pay later, marketplace and open banking solution. The subsidiary has not commenced its operations as yet.

The consolidated financial statements include the financial information of the branches of the Company and the above-mentioned subsidiaries (together refer to as “the Group”).

These consolidated financial statements were approved by the Board of Directors on 28 February 2023 (corresponding to 7 Sha’ban 1444H).

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants.

**2. BASIS OF PRESENTATION (CONTINUED)**

**2.2 Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis using the going concern basis of assumption, except for measurement of employee benefits that are measured at present value using projected unit credit method. The carrying amount of financial assets and liabilities are a reasonable approximation of their fair values.

**2.3 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Group. The Group has used the Saudi Riyal ("SR") as presentation currency.

**2.4 Going concern**

These consolidated financial statements have been prepared on a going concern basis. In assessing the going concern assumption, the management has considered the current and expected operational levels and available facilities to meet the requirements as they fall due. There have been some delays in collections from the customers, however the risk of default is considered low, considering the significant amount of receivables are from governmental customers and continue to be received. Also, the Group continues to work with its suppliers to source equipment to meet its contractual needs.

**3. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

***Judgements***

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 5.12: Classification of equity accounted investees; whether the Group has significant influence over an investee
- Note 5.9: Lease term; whether the Group is reasonably certain to exercise extension options.
- Note 5.2: Gross versus net revenue presentation assessment; the determination by the Company as to whether it acts as a principal in a transaction or agent.

***Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 5.7, 5.8, 5.10, 6 and 7: Impairment of non-financial assets, Property and equipment and Intangibles assets
- Note 5.7 and 32: Measurement of ECL allowance for trade receivables and contract assets: Key assumptions in determining the weighted-average loss rate
- Note 5.8 and 5.10: Useful lives and residual values of property & equipment and intangible assets.
- Note 5.15 and 18: Measurement of employee benefits obligations: Key actuarial assumptions.
- Note 5.5 and 29: Provision for Zakat.

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**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND AMENDMENT TO STANDARDS**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<u><i>Standard / Interpretation</i></u>	<u><i>Description</i></u>	<u><i>Effective from periods beginning on or after the following date</i></u>
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The impact of the above standards will be assessed by the Company in next financial year.

**5. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements.

**5.1 Fair value measurement**

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

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

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

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.1 Fair value measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. Fair values are categorised 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 market for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

### **5.2 Revenue recognition**

The Group generates revenue from the sale of computer hardware, software, post contract support and Cloud computing solutions. The Group also generates revenue from providing professional services to end-users to maintain the customer's IT infrastructure such as operations & maintenance and managed services.

The Group recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer based on allocated transaction price of each performance obligation.

The following are some of the key indicators used by the Group in determining when control has passed to the customer:

- (i) the Group has a right to payment for the product or service;
- (ii) the customer has legal title to the product;
- (iii) the Group has transferred physical possession of the product to the customer;
- (iv) the customer has the significant risks and rewards of ownership of the product; and
- (v) the customer has accepted the product.

Transaction price is allocated to each performance obligation with reference to the price specified in the underlying customer contract and further analyzed for other applicable aspects such as variable considerations, non-cash considerations, consideration payable to the customer, material rights including combination of contracts and adjusts the promised amount of consideration for its effects including that of significant financing component in measuring the transaction price.

For determining standalone selling price, the Company uses observable prices wherever available. When evidence from recent transactions is not available to confirm that the prices are representative of the standalone selling price, then adjusted market assessment approach, cost plus margin approach or residual value approach as prescribed in IFRS 15 will be used to estimate the standalone selling prices.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Revenue recognition (continued)**

**Principal versus agent**

Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on a gross basis, or acting as an agent, reporting revenue on a net basis. The Group evaluates the following indicators amongst others when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

- (i) the Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- (ii) the Group has inventory risk before the specified good or service has been transferred to a customer;
- (iii) the Group has discretion in establishing the price for the specified good or service.

The Group assesses different categories of revenue in the light of the above indicators, however, before concluding on whether it is acting as a principal or an agent, the Group exercises judgement considering the nature of the product and solution offering, complexity involved in delivering the product and solution, level of control available to the Group in the process of delivering the product and solution.

Sales of product and services in which the Group acts as a principal are presented on a gross basis.

Sales of product and services where there is no involvement of the Group for fulfilling the performance obligation is presented on a net basis. These generally includes the sale of certain third-party services, post contract support, software assurance, third-party hosted Cloud arrangements and sale of certain security software products.

Amounts collected by the group on behalf of a third party are accounted for as a payable in the statement of consolidated financial position until they are settled and do not gross up revenue and expenses. Similarly, amounts prepaid by the group to a third party on behalf of customers are recognised as a receivable until they are recovered and do not gross up revenues and expenses.

**Hardware revenue**

The Group sells third-party hardware that is sourced from multiple vendors and distributors. The revenue from these arrangements is primarily recognized on a gross basis as the principal in the transaction when the product is received by the client because we control the product prior to transfer to the client. In addition to other factors considered, we assume primary responsibility for fulfillment in the arrangement, we assume inventory risk if the product is returned by the client, we set the price of the product charged to the client and we work closely with our clients to determine their hardware specifications.

Third-party vendors typically provide standard warranties on most of the hardware products the Group sells. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications, unless specifically required by customer and / or provided by the vendor.

**Software revenue**

Revenue from sale of third-party software license where the nature of installation/integration are not considered complex is determined to be a separate performance obligation and is recorded on net basis.

Where a complex interfacing or a specialized configuration of the third-party software license is performed by the entity to enable customer to derive its intended benefit from the software within the context of the contract, it generally results in the Group acting as a principal for the integrated performance obligation of software license and the implementation services and the revenue is recorded on a gross-basis.



**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Revenue recognition (continued)**

For sale of anti-virus software where the upgrades provided by the third-party vendors are considered integral to maintaining the utility of the underlying software to the end-user, the Group records revenue on a net basis.

Revenue from the sale of third-party software license is recorded when the customer acquires the right to use or receives a copy of software license and control transfers to the customer, but not prior to the commencement of the initial license term.

**Post contract support revenue**

Post contract support (PCS) provides the Group's customers with the right to obtain software upgrades, bug fixes and technical support services. The Group directly provides technical support to its customers for certain product(s) and therefore acts as a principal and records revenue on gross basis.

Where the Group arranges to provide support services directly from the third-party vendor without the Group's involvement, the revenue is recorded on a net basis as an agent.

The Group further evaluates whether the access to upgrades is a separate performance obligation by assessing if the vendor-delivered upgrades are critical to the core functionality of the software. The criticality of upgrades is used to further assess the level of control the Group has in a transaction. Where the upgrades require the continued input of the vendor without involvement of the Group, such unspecified upgrades are treated as a separate performance obligation and the revenue is recorded on net basis as the Group is acting as an agent.

The determination of unspecified upgrades as a portion of the PCS is computed as a percentage of the total PCS value based on the certain product specific information and hence the Group exercises significant judgement in this area.

**Services revenue**

The Group evaluates the control assessment of services rendered to customers either directly or through the involvement of third-party vendors. The Group is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources and/or vendors/sub-contractor in implementation services and in the eventual delivery of the deliverables fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract with the customer and has the direct responsibility to provide the services either directly or indirectly, the revenue is recorded on gross basis as a principal.

Certain third-party sub-contracts in which the Group does not control the services prior to transferring to our customers, revenue is recorded on net basis.

**Cloud subscription revenue**

The Group evaluates whether Cloud subscription products provided to customers with right to access hosted in the technology cloud platforms without the client taking possession of the software. The Group does not take control of the software products or assume any responsibility to the clients related to the provisioning of the offerings in the cloud, accordingly, revenue is recorded on net basis and the Group shall be acting as an agent.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Revenue recognition (continued)**

**Systems integration services revenue**

The Group sells hardware, software license, installation, post contract support and other services are bundled as a solution. Hardware, software and installation are treated as a single performance obligation as the goods or services are not distinct within the context of the contract because they are not separately identifiable from the other promises in the contract. The Group recognizes revenue relating to installed hardware and software along with installation over time using the input method.

**Managed services revenue**

The Group delivers managed services contracts for its customers which generally extend for multi-years. Revenue from managed services contracts comprises provision of manpower for maintaining the IT infrastructure of the customer and providing IT and related consumables to operate and maintain the customer's IT environment during the tenure of the contract. The Group is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources including hiring of resources and fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract with the customer and has the direct responsibility to provide the manpower services either directly or indirectly, the revenue is recorded on gross basis acting as a principal. Managed services revenue is recognised over time, throughout the term of the contract, as services are delivered.

However, in cases where there is a need to employ third-party sub-contractors in which the Group does not control the services prior to transferring to our customers, revenue is recorded on net basis and the Group shall be acting as an agent.

**5.3 Basis of consolidation**

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. 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
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote 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 control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3 Basis of consolidation (continued)**

Profit or loss and each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders 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 consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

*Subsidiaries*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity, respectively.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of subsidiary comprises the:

- the fair value of the assets transferred / acquired
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. Acquisition-related costs are expensed as incurred.

When the Group loses control over a subsidiary, it recognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Cost of sales and expenses**

Costs which are directly related to goods or services provided are classified as costs of sales. Expenses which are attributable to selling and marketing activities are classified as selling and marketing expenses. All other indirect expenses are classified as general and administration expenses.

**5.5 Zakat and Value Added Tax (VAT)**

The Group is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. Zakat is provided on an accrual basis and is computed and charged based on Zakat base. Adjustments if any are made to the Zakat provision when the final assessments are obtained from the ZATCA.

Expenses, and assets are recognized net of the amount of VAT, except:

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

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

**5.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**5.7 Financial instruments**

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

Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial instruments are recognized in the statement of financial position when the Group becomes party to the contractual provisions of the financial instruments. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial instrument (unless it is a trade receivable without a significant financing component) is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified and measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (continued)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-to-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Subsequent measurement*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit & loss.

Financial assets at amortized cost, including trade receivables, are subsequently measured at amortized cost using the effective interest rate (EIR) method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in the statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in comprehensive income and are never reclassified to profit or loss.

*Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (continued)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

*Expected credit loss (ECL) assessment for trade receivables and contract assets*

The financial assets which are in the scope of impairment are bank balances, account receivables, contract assets and balances due from related party.

Loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For ECL on trade receivables and contract assets, the Group has divided its trade receivable and contract assets in two broad categories, private customers and government/government controlled entities ("Government customers").

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from private customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable/contract asset progressing through successive stages of delinquency to write-off.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth.

For trade receivable and contract assets from Government customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.7 Financial instruments (continued)**

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook.

#### *Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are presented on the face of the statement of profit or loss and other comprehensive income.

The Group considers a financial asset in default when contractual payments are 1095 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

#### Financial liabilities

##### *Initial recognition and measurement*

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

##### *Subsequent measurement*

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### Financial liabilities

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting year. They are measured at amortized cost using the effective interest rate method.

#### *Derecognition*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (continued)**

Offsetting

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

**5.8 Property and equipment**

Items of property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Capital work in progress ("CWIP") account are assets in the course of construction or development. CWIP is transferred to the appropriate category in property and equipment (depending on the nature of the asset), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction/development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing year. Land and CWIP are not depreciated.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss as follows:

	<i><u>Estimated useful life (in years)</u></i>
Building	20 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Equipment	5 years

The Group'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. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.



## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.9 Leases**

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

#### **i. As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.9 Leases (continued)**

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the current portion of lease liabilities is presented in 'trade and other payables' and the non-current portion of lease liabilities is presented as a financial line item in the statement of financial position.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **5.10 Intangible assets**

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is indication that intangible assets may be impaired. The amortization year and the amortization method are reviewed at least at the end of each reporting year. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization year or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Group estimates the useful lives of 5 years of its intangible assets.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

### **5.11 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.12 Equity-accounted investees**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Judgement is required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost, which includes transaction costs and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in OCI of the investee until the date on which significant influence ceases.

Dividends received or receivable from an associate is recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Group's share on earnings or losses of associates is shown in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'share in losses' of an associate in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.12 Equity-accounted investees (continued)**

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI are reclassified to profit or loss where appropriate.

**5.13 Dividends**

The Group recognizes a liability to make dividend distribution to the shareholders of the Group when the distribution is authorized and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in Saudi Arabia, a distribution is authorized when it is approved by the shareholders. Interim dividends are recorded as and when declared and approved by the Board of Directors.

**5.14 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

**5.15 Employee benefits**

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and allowances that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented under trade and other liabilities in the statement of financial position.

Employees' defined benefit obligations

The Group's primary defined benefit plan is an end of service lump sum benefits plan.

The benefit liability recognized in the statement of financial position is the present value of the Defined Benefit Obligation ("DBO") at the reporting date. The plan is unfunded, which means the Group pays benefits as they fall due when employees leave service.

The Defined Benefit Obligation is re-measured on an annual basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in KSA to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between US and KSA.

The Group updates the assumptions from year to year based on the actual experience of the Group. The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the statement of income. Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the year in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in profit or loss.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.15 Employee benefits (continued)**

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in profit or loss.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour Law as well as the Group's policy.

### **5.16 Segment reporting**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of whose operations are continuously analysed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The Group's operating business are organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that offers different products to its respective market.

For management purpose, the Group is organised into six segments, as described below:

- Business service management unit
- Solutions unit
- Systems unit
- Information technology security unit
- Networking unit
- Operation and maintenance unit
- Data center unit

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group only operates in KSA and accordingly has no geographical segment. Refer note 33 for information related to each reportable segment.

### **5.17 Finance income and cost**

The Group's finance income and finance costs includes interest income or expense and is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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**6. PROPERTY AND EQUIPMENT**

	For the year ended 31 December 2022					
	Land SR	Building* SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Total SR
2022						
Cost						
As at 1-January-2022	8,122,900	29,270,525	15,681,493	1,287,687	3,422,257	57,784,862
Additions	-	1,154,908	677,106	-	67,240	1,899,254
Disposals	-	-	-	-	-	-
As at 31-December-2022	8,122,900	30,425,433	16,358,599	1,287,687	3,489,497	59,684,116
Accumulated depreciation						
As at 1-January-2022	-	2,049,294	11,618,700	1,132,225	597,765	15,397,984
Charge for the year	-	1,709,774	1,207,344	48,103	698,642	3,663,863
Disposals	-	-	-	-	-	-
As at 31-December-2022	-	3,759,068	12,826,044	1,180,328	1,296,407	19,061,847
Net book value						
As at 31-December-2022	8,122,900	26,666,365	3,532,555	107,359	2,193,090	40,622,269

\*Property and equipment includes right-of-use assets at net book value of **SR 421,883** (2021: SR 690,725) related to leased office premises that do not meet the definition of investment property (Note 20).

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**6. PROPERTY AND EQUIPMENT (CONTINUED)**

	For the year ended 31 December 2021						
	Land SR	Building* SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Capital work in progress SR	Total SR
2021							
Cost							
As at 1-January-2021	8,122,900	21,092,510	13,004,497	1,166,787	2,598,591	3,709,516	49,694,801
Additions	-	134,694	1,667,734	158,400	547,046	5,619,687	8,127,561
Transfers from capital work in progress**	-	8,043,321	1,009,262	-	276,620	(9,329,203)	-
Disposals	-	-	-	(37,500)	-	-	(37,500)
As at 31-December-2021	8,122,900	29,270,525	15,681,493	1,287,687	3,422,257	-	57,784,862
Accumulated depreciation							
As at 1-January-2021	-	537,684	10,671,720	1,130,954	1,139	-	12,341,497
Charge for the year	-	1,511,610	946,980	38,771	596,626	-	3,093,987
Disposals	-	-	-	(37,500)	-	-	(37,500)
As at 31-December-2021	-	2,049,294	11,618,700	1,132,225	597,765	-	15,397,984
Net book value							
As at 31-December-2021	8,122,900	27,221,231	4,062,793	155,462	2,824,492	-	42,386,878

\*Property and equipment includes right-of-use assets at net book value of **SR 690,725** (2020: SR 959,566) related to leased office premises that do not meet the definition of investment property (Note 20).

\*\* This represents capital expenditure on the new head office building.

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**7. INTANGIBLE ASSETS**

For the year ended 31 December 2022				
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2022	3,297,535	4,532,387	7,244,622	15,074,544
Additions	1,275,299	-	1,854,087	3,129,386
Disposal	-	-	(2,737,640)	(2,737,640)
<b>As at 31 December 2022</b>	<b>4,572,834</b>	<b>4,532,387</b>	<b>6,361,069</b>	<b>15,466,290</b>
<i>Accumulated amortization</i>				
As at 1 January 2022	1,698,313	4,532,387	2,528,703	8,759,403
Charge for the year	641,101	-	625,248	1,266,349
Disposal	-	-	(54,233)	(54,233)
<b>As at 31 December 2022</b>	<b>2,339,414</b>	<b>4,532,387</b>	<b>3,099,718</b>	<b>9,971,519</b>
<i>Net book value</i>				
<b>As at 31 December 2022</b>	<b>2,233,420</b>	<b>-</b>	<b>3,261,351</b>	<b>5,494,771</b>

For the year ended 31 December 2021				
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2021	2,438,341	4,532,387	3,085,065	10,055,793
Additions	859,194	-	4,159,557	5,018,751
<b>As at 31 December 2021</b>	<b>3,297,535</b>	<b>4,532,387</b>	<b>7,244,622</b>	<b>15,074,544</b>
<i>Accumulated amortization</i>				
As at 1 January 2021	1,329,450	4,532,387	2,104,266	7,966,103
Charge for the year	368,863	-	424,437	793,300
<b>As at 31 December 2021</b>	<b>1,698,313</b>	<b>4,532,387</b>	<b>2,528,703</b>	<b>8,759,403</b>
<i>Net book value</i>				
<b>As at 31 December 2021</b>	<b>1,599,222</b>	<b>-</b>	<b>4,715,919</b>	<b>6,315,141</b>

**8. INVESTMENTS**

**8A. EQUITY-ACCOUNTED INVESTEEES**

<i><u>Name of associates</u></i>	<i><u>Principal activities</u></i>	<i><u>Place of incorporation and principal place of business</u></i>	<i><u>% age holding*</u></i>
Edarat Group SAL	Technology based solutions	Lebanon	50%
Edarat Telecommunication and Information Technology Company	Development, installation and maintenance of computer hardware and software	Kingdom of Saudi Arabia	40%
Phoenicia Tech Worldwide Inc. – BVI	Technology based solutions	British Virgin Island	50%

\*The Group has significant influence, but does not have control or joint control, over the financial and operating policies of these equity accounted investees.



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**8. INVESTMENTS (CONTINUED)**

**8A. EQUITY-ACCOUNTED INVESTEEES (CONTINUED)**

The movement in investment in associates was as follows:

	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc.</i>	<i>Total SR</i>
At 1 January 2021	179,165	4,468,186	271,991	4,919,342
Share of (loss)/profit	(84,131)	1,986,906	941	1,903,716
Dividend received	-	-	(271,875)	(271,875)
At 31 December 2021	95,034	6,455,092	1,057	6,551,183
Share of profit	<b>69,482</b>	<b>5,987,392</b>	<b>58,316</b>	<b>6,115,191</b>
Dividend received	-	(1,732,500)	-	(1,732,500)
Disposal of investment*	-	(2,126,154)	-	(2,126,155)
<b>At 31 December 2022</b>	<b>164,516</b>	<b>8,583,830</b>	<b>59,373</b>	<b>8,807,719</b>

\*During the year the Company sold 63,000 shares out of 312,000 having carrying value of SR 2,126,154 at a sale proceed of SR 17,365,135 resulting in Gain on disposal of shares amounting to SR 15,238,980.

The table below reconciles the summarized financial information to the carrying amount of the Group's interest in associates

<b>2022</b>	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc.</i>
<b>Net Assets</b>	<b>329,032</b>	<b>21,459,576</b>	<b>118,746</b>
<b>Group share of net assets</b>	<b>50%</b>	<b>40%</b>	<b>50%</b>
<b>Carrying amount of interest in Associate</b>	<b>164,516</b>	<b>8,583,830</b>	<b>59,373</b>

<b>2021</b>	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc.</i>
<b>Net Assets</b>	<b>190,073</b>	<b>12,910,184</b>	<b>2,115</b>
<b>Group share of net assets</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
<b>Carrying amount of interest in Associate</b>	<b>95,034</b>	<b>6,455,092</b>	<b>1,057</b>

The following table summarises aggregated financial information of Group's associates. The information disclosed reflects the amounts presented in the consolidated financial statements of the associates as of 31 December 2022 and 2022.

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**8. INVESTMENTS (CONTINUED)**

**8A. EQUITY-ACCOUNTED INVESTEES (CONTINUED)**

*31-Dec-22*

	<i>Amount in SAR</i>		
	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Others</i>	<i>Total</i>
<i>Summary of statement of financial position</i>			
Current assets	26,617,773	1,564,992	28,182,765
Non-current assets	12,397,124	52,874	12,449,998
Current liabilities	(12,150,687)	(1,395,201)	(13,545,888)
Non-current liabilities	(5,404,634)	(133,506)	(5,538,140)
<i>Summary of statement of profit or loss and other comprehensive income</i>			
Revenue	58,892,501	3,796,660	62,689,161
Cost of sales	(35,434,328)	(3,299,589)	(38,733,917)
<b>Gross profit</b>	<b>23,458,173</b>	<b>497,071</b>	<b>23,955,244</b>
General and administration expenses	(9,435,899)	(275,866)	(9,711,765)
Finance costs	-	(559)	(559)
Other income/(expense)-net	130,736	(140,667)	(9,931)
Zakat/tax and other expenses	(2,138,618)	(17,718)	(2,156,336)
	<b>12,014,392</b>	<b>62,261</b>	<b>12,076,653</b>

*31-Dec-21*

	<i>Amount in SAR</i>		
	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Others</i>	<i>Total</i>
<i>Summary of statement of financial position</i>			
Current assets	22,542,086	1,452,945	23,995,031
Non-current assets	2,612,255	186,986	2,799,241
Current liabilities	9,933,183	1,117,883	11,051,066
Non-current liabilities	2,310,974	329,862	2,640,836
<i>Summary of statement of profit or loss and other comprehensive income</i>			
Revenue	37,333,376	6,628,222	43,961,598
Cost of sales	(24,540,813)	(4,522,849)	(29,063,662)
Gross profit	12,792,563	2,105,373	14,897,936
General and administration expenses	(5,318,213)	(2,740,309)	(8,058,522)
Finance costs	-	(78,983)	(78,983)
Other income	5,296	571,530	576,826
Zakat/tax and other expenses	(1,000,399)	(23,993)	(1,024,392)
	<b>6,479,247</b>	<b>(166,382)</b>	<b>6,312,865</b>

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**8B. ADVANCE FOR INVESTMENT**

During 2021, the Group has signed a subscription agreement to acquire 1.58% shareholding in a digital bank and has paid an advance for investment amounting to SR 25,000,000. Subsequent to year end, the necessary legal formalities for incorporation of the legal entity and regulatory approvals are completed and equity shares are yet to be allotted to the Group.

**9A. CONTRACT ASSETS**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Unbilled receivables*	<b>663,376,649</b>	580,968,599
Less: Impairment loss on contract assets	<b>(13,084,787)</b>	(13,225,252)
	<b>650,291,862</b>	567,743,347
<b>Classification of contract assets</b>		
Unbilled receivables, non-current	<b>22,259,987</b>	45,477,359
Unbilled receivables, current	<b>628,031,875</b>	522,265,988
	<b>650,291,862</b>	567,743,347

\* Unbilled receivables primarily relate to the Group's right to consideration for goods and services delivered but not billed at the reporting date. The same is transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contractual terms of invoicing are primarily on a milestone basis.

The movement of contract assets-gross balance is as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	<b>580,968,599</b>	383,876,607
Additions	<b>740,456,696</b>	703,232,274
Invoicing during the year	<b>(658,048,646)</b>	(506,140,282)
Closing balance	<b>663,376,649</b>	580,968,599

The movement for allowance for expected credit losses on contract assets was as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	<b>13,225,252</b>	8,797,228
(Reversal)/charges during the year	<b>(140,465)</b>	4,428,024
Closing balance	<b>13,084,787</b>	13,225,252

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**9B. CONTRACT COSTS**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Contract costs (refer notes a and b)	<u>25,741,087</u>	<u>72,075,505</u>
	<u>25,741,087</u>	<u>72,075,505</u>

The movement of contract cost balance is as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	72,075,505	95,146,650
Additions	34,133,094	30,927,586
Amortization	(45,378,550)	(53,998,731)
Agency related recoveries	(35,088,962)	--
Closing balance	<u>25,741,087</u>	<u>72,075,505</u>

- a) It includes incurred costs in respect of long-term IT support contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered. They were therefore recognised as an asset for costs to fulfil contracts. The asset is amortised on a straight-line basis over the term where the Group is principal in the performance obligation, and
- b) It includes amounts prepaid by the Group to a third party on behalf of customers and will be adjusted against the recoveries from the customer in the due course. These balances do not gross up expenses as these payments relates to the transaction where Group acts as an agent.

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**10. TRADE AND OTHER RECEIVABLES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Trade receivables - external*	<b>523,493,100</b>	407,386,122
Less: Impairment loss on trade receivables	<b>(28,028,461)</b>	(28,580,375)
	<b>495,464,639</b>	378,805,747
Trade receivables - related parties (note 31)	<b>1,213,369</b>	4,982,701
Other receivables	<b>10,307,889</b>	4,333,672
	<b>506,985,897</b>	388,122,120

**Classification of trade receivable**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Trade receivables - non-current	-	-
Trade and other receivables – current	<b>506,985,897</b>	388,122,120
	<b>506,985,897</b>	388,122,120

\*Trade receivables includes SR 406,906,907 (31 December 2021: 326,689,764) due from government or government - controlled entities. In certain other cases, the Group obtains collateral over receivables amounting to SR 4,321,360 (31 December 2021: 2,992,248) related to few private customers.

The movement for allowance for impairment loss on trade receivables is as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	<b>28,580,375</b>	14,537,438
Charged during the year	<b>1,840,465</b>	14,042,937
Write off during the year	<b>(2,392,379)</b>	-
Closing balance	<b>28,028,461</b>	28,580,375

Below is the ageing of gross trade receivables (including due from related party)

	<i>Total SR</i>	<i>Not yet due SR</i>	<i>0-1 year SR</i>	<i>1-2 year SR</i>	<i>2- 3 years SR</i>	<i>Above 3 years SR</i>
<b>31 Dec 2022</b>	<b>524,706,469</b>	<b>18,990,977</b>	<b>412,508,898</b>	<b>54,435,810</b>	<b>20,783,458</b>	<b>17,987,326</b>
31 Dec 2021	412,368,823	28,554,911	256,581,550	63,890,204	36,205,357	27,136,801

**11. PREPAYMENTS AND OTHER ASSETS**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Margin on letters of credit and guarantee	<b>6,699,334</b>	13,038,113
Prepaid expenses	<b>8,498,689</b>	4,392,171
Advances to employees	<b>728,869</b>	1,101,244
Advances to supplier*	<b>176,462,388</b>	3,906,974
Prepayment other	<b>362,704</b>	362,704
	<b>192,751,984</b>	22,801,206
Provision on advances to supplier	<b>(794,153)</b>	(794,153)
	<b>191,957,831</b>	22,007,053

\* Primarily pertains to advances paid to vendors related to data center project.

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**12. INVENTORY**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Goods held for sales	1,508,743	-
Less: allowance for slow moving inventory	-	-
	<u>1,508,743</u>	<u>-</u>

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, and other direct cost incurred in bringing them to their existing location and condition. At each reporting date, inventories are assessed for impairment using net realizable value that represents the estimated selling price for inventories less all estimated costs of completion & costs necessary to make the sale

**13. CASH AND CASH EQUIVALENTS**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Cash at bank - current accounts	34,935,840	20,007,063
Cash at bank – deposits*	116,993,647	1,289,465
Cash in hand	353,713	266,671
	<u>152,283,200</u>	<u>21,563,199</u>

\*The average rate on bank deposits is 3.17% (31 Dec 2021: 1%) with an original maturity of 7 days.

**14. SHARE CAPITAL**

Capital of SAR 300,000,000 is divided into 30,000,000 shares of SR 10 each. The Board of Directors in their meeting held on 28 Jumada-1 1443H (Corresponding to 31 January 2022) resolved to increase the Company's share capital to SR 300,000,000 through issuance of one (1) bonus share for every five (5) shares by transferring SR 44,352,025 and SR 5,647,975 from retained earnings and statutory reserve, respectively to share capital. The legal formalities required to enforce the increase of the share capital were completed during the year ended 31 December 2022.

Pertaining to previous year ended 31 December 2021, Capital of SAR 250,000,000 was divided into 25,000,000 shares (31 December 2020: 20,000,000 shares) of SR 10 each. The Board of Directors in their meeting held on 20 Jumada Al-Awwal 1442H (Corresponding to 4 January 2021) resolved to increase the Company's share capital to SR 250,000,000 through issuance of one (1) bonus share for every four (4) shares by transferring SR 40,962,396 and SR 9,037,604 from retained earnings and statutory reserve, respectively to share capital. The legal formalities required to enforce the increase of the share capital were completed during 2021.

**15. STATUTORY RESERVE**

In accordance with the Company regulation of KSA and the Company's By-Laws, the Group must transfer 10% of its net income to the statutory reserve at year end. The Group has transferred SR 9,586,376 (2021 SR 5,647,975) of its net income to the statutory reserve at year end. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The Group has utilized the statutory reserve of SR 5,647,975 (2021 SR 9,037,604) to issue the bonus shares during the year.

**16. OTHER RESERVES**

The nature of other reserves related to remeasurement gain or losses on employees' defined benefit obligations, the amount recorded during the year amounting to SR 2,575,957 (2021: SR (273,661) and balance as at 31 December 2022 is SR 9,744,876 (2021: SR 7,168,919).

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**17. DIVIDENDS**

Pursuant to the shareholder's approval in the Annual General meeting dated 26 May 2021, the Board of Directors in their meeting held on 31 January 2022 resolved to distribute cash dividends amounting to SR 1 per share aggregating to SR 25,000,000 for the second half of the year 2021. This dividend was paid on 14 March 2022.

The Board of Directors in their meeting held on 03 Dhu Hajja 1443H (Corresponding to 2 July 2022) resolved to distribute cash dividends amounting to SR 1.20 per share aggregating to SR 36,000,000 and was paid on 13 October 2022.

Pertaining to previous year ended 31 December 2021, the Board of Directors in their meeting held on 20 Jumada I 1442H (Corresponding to 4 January 2021) resolved to distribute cash dividends amounting to SR 1.10 per share aggregating to SR 22,000,000 and was paid on 20 January 2021. The dividends were approved by the General Assembly on 14 Shawwal 1442H (corresponding to 26 May 2021). On 27 Dhu'l-Qi'dah 1442H (corresponding to 7 July 2021), the Board of Directors of the Group has resolved to distribute cash dividends amounting to SR 1 per share aggregating to SR 25,000,000 and was paid on 15 September 2021.

**18. EMPLOYEE BENEFITS**

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor Law. These benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia. The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position.

At 31 December 2022, the weighted average duration of the defined benefit obligation was 5 years (2021: 7 years).

The following table represents the movement in the defined benefit obligations for the year:

	<i><b>31 December 2022 SR</b></i>	<i><b>31 December 2021 SR</b></i>
Balance at 1 January	<b>22,575,107</b>	20,123,942
<i><b>Included in profit or loss</b></i>		
Current service cost	<b>6,551,556</b>	5,885,662
Interest cost	<b>451,455</b>	321,760
	<b>7,003,011</b>	6,207,422
<i><b>Included in OCI</b></i>		
Re-measurements:		
Change in demographic assumption		-
Change in financial assumption	<b>(4,532,699)</b>	(636,138)
Experience loss	<b>1,956,742</b>	909,799
	<b>(2,575,957)</b>	273,661
<i><b>Other</b></i>		
Benefit paid	<b>(4,110,401)</b>	(4,029,918)
<b>Balance at 31 December</b>	<b>22,891,760</b>	22,575,107

***Significant actuarial assumptions***

The significant actuarial assumptions used in the computation is shown below:

	<i><b>31 December 2022 SR</b></i>	<i><b>31 December 2021 SR</b></i>
Discount rate	<b>4.95%</b>	2.00%
Salary growth rate		
Full time employees	<b>4 %</b>	4%
Contractual employees	<b>0%</b>	0%
Withdrawal rate	<b>5% to 25%</b>	5% to 25%
Retirement age	<b>55 to 60 years</b>	55 to 60 Years

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**18. EMPLOYEE BENEFITS (CONTINUED)**

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

		<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Discount rate	1% increase	<b>(1,376,196)</b>	(1,451,623)
	1% decrease	<b>1,162,985</b>	1,664,146
Salary growth rate	1% increase	<b>1,165,629</b>	1,617,886
	1% decrease	<b>(1,400,775)</b>	(1,442,890)
Withdrawal rate	20% increase	<b>(522,332)</b>	(776,716)
	20% decrease	<b>172,312</b>	906,727

**19. CONTRACT LIABILITIES**

The contract liabilities relate to advance consideration billed/received, for which revenue is recognized on satisfaction of performance obligations which is generally over one to four years.

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Contract liabilities- non-current	<b>9,986,647</b>	24,495,304
Contract liabilities- current	<b>322,614,569</b>	123,499,301
	<b><u>332,601,216</u></b>	<b><u>147,994,605</u></b>

The amount of SR 89,688,733 included in contract liabilities at 31 December 2021 has been recognised as revenue in 2022 (2021: 81,810,991).

The movement during the year is as follows:

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Opening balance	<b>147,994,605</b>	171,813,405
Additions	<b>729,933,967</b>	312,361,862
Utilization	<b>(545,327,356)</b>	(336,180,662)
Closing balance	<b><u>332,601,216</u></b>	<b><u>147,994,605</u></b>

**20. LEASE LIABILITIES**

The Group leases certain office premises, which typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Information about leases for which the Group is a lessee is presented below.

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
As at 1 January	<b>647,566</b>	917,453
Interest expense	<b>26,864</b>	40,613
Payments	<b>(285,500)</b>	(310,500)
	<b><u>388,930</u></b>	<b><u>647,566</u></b>



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**20. LEASE LIABILITIES (CONTINUED)**

Lease liabilities as at year end are as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Lease liability– non-current portion	<b>90,844</b>	368,055
Lease liability –current-portion* (note 22)	<b>298,086</b>	279,511
	<b>388,930</b>	647,566

\* current portion of lease liabilities is included under trade and other payables.

**Right-of-use assets**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
At 1 January	<b>690,725</b>	959,566
Depreciation charge for the year	<b>(268,842)</b>	(268,841)
	<b>421,883</b>	690,725

**Amounts recognised in statement profit or loss and other comprehensive income:**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Depreciation	<b>268,842</b>	268,841
Interest expense on lease liabilities	<b>26,864</b>	40,613
	<b>295,706</b>	309,454

**21. LOANS AND BORROWINGS**

The Group has obtained loans from various local commercial banks and other financial institutions to meet the working capital requirements. These loans are subject to certain financial covenants and are secured by promissory notes and assignment of certain contract proceeds and carry commission charges at prevailing market commission rates. Certain covenants breaches are noted as at 31 December 2022, during the year end the respective banks have issued the waivers on default of Covenants.

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Murabaha facilities	<b>353,451,097</b>	348,361,798
Conventional facilities	<b>17,491,812</b>	22,392,014
	<b>370,942,909</b>	370,753,812

Movements in loans and borrowings are shown below:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	<b>370,753,812</b>	371,942,139
Additions during the year	<b>905,673,031</b>	787,537,111
Repayment made during the year	<b>(905,483,934)</b>	(788,725,438)
Closing balance	<b>370,942,909</b>	370,753,812

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**22. TRADE AND OTHER PAYABLES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Trade payables	<b>368,843,373</b>	225,961,118
Amounts due to related parties ( <i>note 31</i> )	<b>6,726,989</b>	16,113,766
Accrued salaries and other employee costs	<b>10,493,870</b>	9,590,945
Accrued expenses	<b>114,395,116</b>	12,364,151
Other payables	<b>980,274</b>	471,572
Lease liabilities, current	<b>298,086</b>	279,511
	<b><u>501,737,708</u></b>	<b><u>264,781,063</u></b>

**23. OTHER LIABILITIES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Value added tax, net	-	2,909,096
Withholding tax payable	<b>682,753</b>	1,272,441
	<b><u>682,753</u></b>	<b><u>4,181,537</u></b>

**24. REVENUE**

The Group revenue is derived from contracts with customers:

**Disaggregation of revenue**

Set out below is the disaggregation of Group's revenue from contracts by type of goods or services, timing of revenue recognition, type of customers and types of principals or agent:

<i>Timing of revenue recognition</i>	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Product transferred at a point in time	<b>168,892,798</b>	302,165,078
Services transferred overtime	<b>620,729,191</b>	336,658,750
	<b><u>789,621,989</u></b>	<b><u>638,823,828</u></b>
	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
<i>Type of customers</i>		
Government & government - controlled entities	<b>576,109,224</b>	459,537,485
Private	<b>213,512,765</b>	179,286,343
	<b><u>789,621,989</u></b>	<b><u>638,823,828</u></b>

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**24. REVENUE (CONTINUED)**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
<i>Product or service</i>		
Equipment and hardware	83,270,276	201,846,791
Software licenses	20,154,258	100,318,287
Maintenance services	686,197,455	336,658,750
	<u>789,621,989</u>	<u>638,823,828</u>
	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
<i>Revenue, type principal or agent</i>		
Revenue derives from principal	702,545,601	554,208,334
Revenue derives from agent	87,076,388	84,615,494
	<u>789,621,989</u>	<u>638,823,828</u>

**25. COST OF SALES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Equipment and software cost	381,139,715	209,453,050
Service and support cost	94,667,965	151,755,039
Manpower cost	111,040,169	110,900,594
	<u>586,847,849</u>	<u>472,108,683</u>

**26. GENERAL AND ADMINISTRATION EXPENSES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Employees' costs	62,195,073	49,209,486
Office supplies	9,496,283	1,055,634
Professional fees	6,446,905	2,725,422
Travel expenses	1,221,828	1,066,108
Depreciation on property and equipment (note 6)	3,663,863	3,093,987
Amortization on intangible assets (note 7)	1,266,349	793,300
Postage and communication	870,335	931,978
Others	1,617,525	1,944,605
	<u>86,778,161</u>	<u>60,820,520</u>

**27. SELLING AND MARKETING EXPENSES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Employees' cost	9,662,523	8,466,737
Advertising and sales promotion	2,855,598	1,693,039
	<u>12,518,121</u>	<u>10,159,776</u>

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**28. FINANCE COSTS**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Finance costs on short-term loans	17,842,178	14,487,466
Finance costs on letters of credit and guarantee	4,457,836	2,957,497
Bank charges	1,225,381	954,837
Others	26,863	512,199
	<u>23,552,258</u>	<u>18,911,999</u>

**29. ZAKAT**

The Zakat charge of the year consist of current year provision amounting to SR 9,600,000 (2021:SR 8,400,805) and is based on the following:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Shareholders' equity, beginning	272,659,221	280,287,638
Opening provisions and other adjustments	61,549,171	38,590,898
Book value of long-term assets	(74,011,038)	(55,253,202)
Zakat base	260,197,354	263,625,334
Zakat prior to net adjusted profit	6,707,367	6,796,261
Income for the year	107,224,794	64,181,756
Zakat on adjusted net profit	2,892,633	1,604,544
	<u>9,600,000</u>	<u>8,400,805</u>

***Movements in Zakat provision during the year***

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Balance at 1 January	7,451,026	8,314,217
Charged for the year	9,600,000	8,400,805
Paid during the year	(8,403,775)	(9,263,996)
	<u>8,647,251</u>	<u>7,451,026</u>

The Company has finalized its Zakat and withholding tax assessment with the ZATCA up to year 2016 and obtained the final Zakat and withholding tax certificate. The Company has filed the Zakat returns for the years 2017 to 2021 and withholding tax returns for the years 2017 to 2021, which are under review by ZATCA.

**30. EARNINGS PER SHARE**

Basic earnings per share is calculated based on the weighted average number of outstanding shares during the year. Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all diluted potential ordinary shares.

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**30. EARNINGS PER SHARE (CONTINUED)**

There has been no item of dilution affecting the weighted average number of ordinary shares.

	<i><b>2022</b></i>	<i><b>2021</b></i>
	<i><b>SR</b></i>	<i><b>SR</b></i>
Net income for the year	<b>95,863,760</b>	56,479,749
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<b>30,000,000</b>	30,000,000
Basic and diluted earnings per share	<b>3.20</b>	1.88

The weighted average number of ordinary shares used as a denominator in calculating basic and diluted EPS for 31 December 2021 has been adjusted on account of the bonus share issued on 28 June 2022.

**31. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended 31 December 2022, the Group transacted with its related parties. The terms of those transactions are approved by management/Board of Directors in the ordinary course of business. The transactions during the year are as follows:

	<i><b>31 December</b></i>	<i><b>31 December</b></i>
	<i><b>2022</b></i>	<i><b>2021</b></i>
	<i><b>SR</b></i>	<i><b>SR</b></i>
<b>Transaction with shareholders</b>		
Dividends paid	<b>61,000,000</b>	47,000,000
<b>Transaction with Associate</b>		
Edarat Telecommunication and Information Technology Company		
Revenue	<b>1,450,378</b>	2,649,742
Purchases	<b>33,211,368</b>	4,526,571
<b>Transactions with entities having common shareholders</b>		
<b>Purchases</b>		
ESRI Saudi Arabia Limited Company	<b>3,134,555</b>	10,078,849
Emaar Executives for Information Technology	<b>4,604,057</b>	22,800,372
Electronic Maps Trading Company	<b>756,178</b>	2,920,574
<b>Revenue</b>		
Emaar Executives for Information Technology	<b>899,368</b>	1,276,533

The remuneration of key management personnel for the year are as follows:

	<i><b>31 December</b></i>	<i><b>31 December</b></i>
	<i><b>2022</b></i>	<i><b>2021</b></i>
	<i><b>SR</b></i>	<i><b>SR</b></i>
Salaries and short-term benefits	<b>11,928,726</b>	9,792,915
Employee benefits	<b>398,193</b>	340,685
	<b>12,326,919</b>	10,133,600

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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**31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

The following balances were outstanding with related parties at the reporting date:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
<b>Due from related parties: (note 10)</b>		
Electronic Maps Trading Company	<b>233,939</b>	4,316,897
Emaar Executives for Information Technology	<b>979,430</b>	-
Edarat Telecommunication and Information Technology Company	-	665,804
	<b>1,213,369</b>	<b>4,982,701</b>
<b>Due to related parties: (note 22)</b>		
ESRI Saudi Arabia Limited Company	<b>21,563</b>	8,375,207
Emaar Executives for Information Technology	<b>453,244</b>	5,444,530
Edarat Telecommunication and Information Technology Company	<b>6,252,182</b>	-
Electronic Maps Trading Company	-	2,294,029
	<b>6,726,989</b>	<b>16,113,766</b>

**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

**a. Accounting classification and fair values**

The following table shows fair values which is equal to the carrying value of the financial assets and financial liabilities.

		<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
<u>Carrying value</u>	<i>Note</i>		
<u>Financial assets at amortized cost</u>			
Trade receivables, net	10	<b>495,464,639</b>	378,805,747
Amounts due from related parties	31	<b>1,213,369</b>	4,982,701
Margin on letters of credit and guarantee	11	<b>6,699,334</b>	13,038,113
Cash and cash equivalents	13	<b>152,283,200</b>	21,563,199
		<b>655,660,542</b>	<b>418,389,760</b>
<u>Financial liabilities at amortized cost</u>			
Loans and borrowings	21	<b>370,942,909</b>	370,753,812
Amount due to related parties	31	<b>6,726,989</b>	16,113,766
Trade and other payables	22	<b>484,218,763</b>	238,796,841
		<b>861,888,661</b>	<b>625,664,419</b>

**b. Financial risk and capital management**

The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Interest rate risk
  - Currency risk

**Risk management framework**

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**b. Financial risk and capital management (continued)**

**Risk management framework (continued)**

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Audit Committee is assisted in its oversight role by Internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

***i) Credit risk***

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from Group's trade receivables, contract assets and balances with banks.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Below areas with maximum exposure to credit risk for the components of the statement of financial position.

**Credit risk related to time deposit and cash deposit**

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from governments, semi government and private customers.

Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- governments and private.

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**b. Financial risk and capital management (continued)**

**Trade receivables and contract assets**

Trade receivables and contract assets consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables and contract assets.

**Amounts due from related parties**

An impairment analysis is performed at each reporting date on an individual basis for all related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 31). The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as minimal.

**ECL assessment for trade receivables and contract assets**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortized cost and contract assets.

The key inputs into the measurement of ECL are the following variables:

- Probability of default (PD) using statistical model
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

*Trade receivables*

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for trade receivables for private customers.

	As at 31 December 2022			As at 31 December 2021		
	Weighted average loss rate	Gross carrying amount	Impairment allowance	Weighted average loss rate	Gross carrying amount	Impairment allowance
Current not due	3%	10,453,746	270,930	5%	28,554,913	1,404,399
0-1 year past due	5%	72,915,757	3,896,697	13%	39,386,357	5,002,151
1-2 year past due	31%	20,217,664	6,363,601	42%	7,173,061	2,988,753
2-3 year past due	63%	5,560,876	3,498,150	100%	5,913,777	5,913,777
Credit impaired	100%	8,651,519	8,651,519	100%	4,650,952	4,650,952
		<u>117,799,562</u>	<u>22,680,897</u>		<u>85,679,060</u>	<u>19,960,032</u>

Trade receivables from government and government - controlled entities is **SR 406,906,907** (2021: SR 326,689,764) and allowance for credit loss is calculated using general approach **SR 274,532** (2021: SR 356,247).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<b><u>31 December 2022</u></b>					
Grades 1-6: Low risk	A1	0.07%	406,906,907	274,532	5,073,032
<b><u>31 December 2021</u></b>					
Grades 1-6: Low risk	A1	0.11%	326,689,763	356,247	8,264,096



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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**b. Financial risk and capital management (continued)**

Contract assets

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for contract assets for private customers as at 31 December 2022.

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<b>31 December 2022</b>	<b>3%</b>	<b>155,621,439</b>	<b>4,672,795</b>	<b>1,646,411</b>
31 December 2021	5%	227,598,153	10,689,162	724,366

Contract assets from government and government - controlled entities is SR 507,755,210 (2021: 353,370,446) and allowance for credit loss is calculated using general approach SR 336,642 (2021: SR 363,340).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<b>31 December 2022</b>					
Grades 1-6: Low risk	A1	0.41%	507,755,210	2,086,642	4,678,940
<b>31 December 2021</b>					
Grades 1-6: Low risk	A1	0.10%	353,370,446	363,340	1,448,384

**ii) Market risk**

Market risk is the risk that changes in market prices, such as currency rates and commission rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing assets, but has commission bearing liabilities at 31 December 2022 and 31 December 2021. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

**Sensitivity analysis for variable rate financial instruments**

The following table demonstrates the sensitivity of the Group to a reasonably possible change, with all other variables held constant, of the Group Income before Zakat (through the impact on floating rate borrowings) for the year ended 31 December:

	<b>31 December 2022 SR</b>	<b>31 December 2021 SR</b>
<b>Floating rate</b>		
Increase by 50 base points	1,811,523	524,610
Decrease by 50 base points	(1,811,523)	(524,610)

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**b. Financial risk and capital management (continued)**

The sensitivity analysis has been determined based on the exposure to commission rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting commission rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in commission rates.

**i) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management believes that the Group is not exposed to significant risks in relation to liquidity and maintains different lines of credit. Upon careful comparison of the financial liabilities included within the current liabilities with the financial assets forming part of the current assets, there seems to be a reasonably hedging position between the two categories.

***Exposure to liquidity risk***

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

<b><u>As on 31 December 2022</u></b>	<b><u>Carrying amount</u></b>	<b><u>Total</u></b>	<b><u>Within 3 months</u></b>	<b><u>4 to 6 months</u></b>	<b><u>Over 6 months</u></b>
Loans and borrowings	370,942,909	370,942,909	186,991,268	167,552,737	16,398,904
Trade and other payables*	490,945,752	490,945,752	171,974,149	293,321,297	25,650,306
Other liabilities	682,753	682,753	682,753	-	-
	<u>862,571,414</u>	<u>862,571,414</u>	<u>359,648,170</u>	<u>460,874,034</u>	<u>42,049,210</u>

<b><u>As on 31 December 2021</u></b>	<b><u>Carrying amount</u></b>	<b><u>Total</u></b>	<b><u>Within 3 months</u></b>	<b><u>4 to 6 months</u></b>	<b><u>Over 6 months</u></b>
Loans and borrowings	370,753,812	370,753,812	41,078,811	251,175,676	78,499,325
Trade and other payables*	254,910,607	254,910,607	198,757,599	34,551,129	21,601,879
Other liabilities	4,181,537	4,181,537	4,181,537	-	-
	<u>629,845,956</u>	<u>629,845,956</u>	<u>244,017,947</u>	<u>285,726,805</u>	<u>100,101,204</u>

\* excluding lease liability and accrued salaries and other employee costs as disclosed separately

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**c. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 24%; in 2022 the return was 28% (2021: 25%). The weighted-average interest expense on interest-bearing borrowings was 6.04% (2021: 4.2%).

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group includes within net debt: short-term loans, trade and other liabilities less cash and cash equivalents.

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Loans and borrowings	<b>370,942,909</b>	370,753,812
Trade and other payables	<b>501,737,708</b>	264,781,063
Less: Cash and cash equivalents	<b>(152,283,200)</b>	(21,563,199)
Net Debt	<b>720,397,417</b>	613,971,676
Shareholders' equity	<b>371,098,938</b>	333,659,221
<b>Shareholders' equity and net debt</b>	<b>1,091,496,355</b>	947,630,897
Gearing ratio	<b>66%</b>	54%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. The Group did not comply with certain loan covenants during the year. However, the Group was able to obtain waiver letters from the respective banks in this regard. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

**33. SEGMENT INFORMATION**

The Group operates solely in KSA and has no geographical segment. For management purposes, the Group is organized into business units based on service provided and has the following reportable segments:

***Business Service Management Unit***

Business Service Management unit provides software in areas of business service management, data center monitoring and optimization, in addition to contract center related solutions, as per requirements.

**33. SEGMENT INFORMATION (CONTINUED)**

***Solutions Unit***

Solutions is a business unit that plan, design, establish and equip modern geographic information system (“GIS”) centers, providing business with necessary infrastructure. It aids in building geographic data, training client teams, configuring GIS tools and building end-user applications.

***Systems Unit***

The system unit provides technological and business expertise to turn possibilities into real business solutions.

***Information Technology Security Unit***

Information technology Security provides a broad portfolio of industry-best solutions, which help customers develop, deploy, fulfil and maintain optimum security. It is a unit that meets all customer requirements for their information security cycle.

***Networking Unit***

The business unit’s main responsibility is to build efficient and cost effective networks and communication solutions based on technologies from various leading Information Communication Technology (“ICT”).

***Operation and Maintenance Unit***

Operation and Maintenance Unit is the Management Operation and Maintenance Project Unit that apply project management support for tasks where the application of knowledge, skills, and techniques to successfully implement IT infrastructure is necessary.

***Data Center Unit***

The Data center division is mainly involved in designing, development, execution (on a turnkey basis) and operations of data centers.

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**33. SEGMENT INFORMATION (CONTINUED)**

Management monitors the operational results of the operating segments separately for making decisions about resource allocation and performance assessment. Consistent with the Group's internal reporting process, business segments have been approved by board of directors in respect of the Group's activities.

The segment information from operations of these segments is provided below:

	Segments					Non-segment remaining items	Total
	<i>Business service management Unit</i>	<i>Solutions unit</i>	<i>Systems Unit</i>	<i>Information technology security Unit</i>	<i>Networking Unit</i>	<i>Operation and maintenance unit</i>	<i>Data Center Unit</i>
As at 31 December 2022							
Total assets	146,345,714	224,439,118	193,071,620	143,642,203	334,545,514	165,530,360	169,899,858
Total liabilities	76,239,385	253,629,434	105,527,551	122,219,035	108,426,412	166,326,364	398,676,622
							1,608,693,379
							1,237,594,441
For the year ended 31 December 2022							
Revenue							
<i>Timings of revenue</i>							
Sale of goods at point in time	27,436,367	27,373,814	21,839,140	23,724,340	49,914,469	18,604,668	-
Sale of services over year of time	16,029,474	18,231,650	71,369,605	31,136,194	145,132,926	198,262,997	-
							620,729,191
<i>Type of customers</i>							
Government & government - controlled entities	36,411,668	29,060,225	87,319,438	48,204,959	158,521,240	216,591,694	-
Private	7,054,172	16,545,239	5,889,307	6,655,576	36,526,155	275,971	-
							576,109,224
							213,512,765
<i>Principal or agent revenue</i>							
Principal revenue	15,337,758	24,005,998	86,885,802	40,625,700	183,201,924	211,922,074	140,566,345
Agent revenue	28,128,082	21,599,466	6,322,942	14,234,835	11,845,472	4,945,591	-
							702,545,601
							87,076,388
<b>Income before Zakat</b>	<b>16,733,039</b>	<b>2,773,066</b>	<b>9,214,160</b>	<b>8,945,819</b>	<b>11,550,728</b>	<b>27,957,493</b>	<b>21,354,170</b>
							105,463,760

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**33. SEGMENT INFORMATION (CONTINUED)**

	Segments					Non-segment remaining items	Total
	<i>Business service management Unit</i>	<i>Solutions unit</i>	<i>Systems Unit</i>	<i>Information technology security Unit</i>	<i>Networking Unit</i>	<i>Operation and maintenance Unit</i>	
As at 31 December 2021							
Total assets	135,477,485	155,112,103	208,936,991	130,399,655	296,753,260	122,299,090	1,151,764,426
Total liabilities	36,115,715	94,400,004	150,104,483	107,220,221	169,648,935	166,357,604	818,105,205
<b>For the year ended 31 December 2021</b>							
Revenue							
<i>Timings of revenue</i>							
Sale of goods at point in time	48,956,234	9,771,674	88,099,118	19,138,734	125,482,384	10,716,934	302,165,078
Sale of services over year of time	18,491,487	37,881,768	40,421,745	28,742,334	73,990,571	137,130,845	336,658,750
<i>Type of customers</i>							
Government & government - controlled entities	16,511,239	40,959,514	98,881,770	35,414,262	120,331,986	147,438,714	459,537,485
Private	51,687,960	6,693,928	29,639,093	12,530,175	78,292,740	442,448	179,286,343
<i>Principal or agent revenue</i>							
Principal revenue	38,829,030	28,577,743	118,023,050	34,999,760	192,224,287	141,554,464	554,208,334
Agent revenue	29,370,169	19,109,082	10,497,812	12,944,676	6,400,439	6,293,316	84,615,494
<b>Income before Zakat</b>	<b>20,397,301</b>	<b>1,342,830</b>	<b>5,633,023</b>	<b>6,493,120</b>	<b>12,717,284</b>	<b>16,393,283</b>	<b>64,880,554</b>

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**34. COMMITMENTS AND CONTINGENT LIABILITIES**

The Group had the following contingent liabilities as at the reporting date:

*Contingent liabilities*

	<i><b>31 December 2022 SR</b></i>	<i><b>31 December 2021 SR</b></i>
Letters of credit	<b>428,451,181</b>	62,128,383
Letter of guarantees	<b>390,852,882</b>	209,658,673

**35. SUBSEQUENT EVENT**

On 10 January 2023 corresponding to 17 Jumada-II 1444H, the Board of Directors of the Group resolved to distribute cash dividends amounting to SR 1.2 per share aggregating to SR 36 million.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association/By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

Except as mentioned above, no other event has occurred subsequent to the reporting date and including the date of the approval of the consolidated financial statements which requires adjustment to, or disclosures, in these consolidated financial statements.