

**Al Moammar Information Systems
Company
(A Saudi Closed Joint Stock Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2015

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL MOAMMAR INFORMATION SYSTEMS COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

Scope of audit

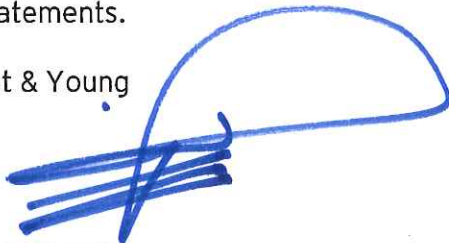
We have audited the accompanying balance sheet of Al Moammar Information Systems Company - a Saudi Closed Joint Stock Company (the "Company") as at 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as these affect the preparation and presentation of the financial statements.

for Ernst & Young



Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437



Riyadh: 7 Rajab 1437H
(14 April 2016)

Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2015

	Note	2015	2014 (Restated - note 21)
		SR	SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	44,561,496	78,148,887
Accounts receivable	4	475,685,707	316,187,708
Prepayments and other receivables	5	11,401,713	10,267,860
Investments held for trading	6	43,634	2,627
Due from an associate	16	780,381	741,033
TOTAL CURRENT ASSETS		532,472,931	405,348,115
NON-CURRENT ASSETS			
Property and equipment	7	1,058,469	820,242
Investments in associates	8	3,337,820	3,508,080
Intangible assets	9	882,157	403,037
TOTAL NON-CURRENT ASSETS		5,278,446	4,731,359
TOTAL ASSETS		537,751,377	410,079,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	11	215,241,688	149,568,705
Accounts payable		85,606,581	44,397,568
Accrued expenses and other liabilities	10	58,618,142	56,358,740
Provision for zakat	12	7,044,453	6,086,424
TOTAL CURRENT LIABILITIES		366,510,864	256,411,437
NON-CURRENT LIABILITIES			
Employees' terminal benefits	13	10,912,300	8,928,335
TOTAL LIABILITIES		377,423,164	265,339,772
SHAREHOLDERS' EQUITY			
Share capital	14	50,000,000	50,000,000
Statutory reserve		25,000,000	25,000,000
Retained earnings		85,328,213	69,739,702
TOTAL SHAREHOLDERS' EQUITY		160,328,213	144,739,702
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		537,751,377	410,079,474

The attached notes 1 to 27 form part of these financial statements.

Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

Year ended 31 December 2015

	Note	2015 SR	2014 (Restated – note 21) SR
Sales		716,805,490	568,532,996
Cost of sales		(619,934,523)	(459,789,815)
GROSS PROFIT		96,870,967	108,743,181
EXPENSES			
General and administration	17	(30,640,038)	(43,593,931)
Selling and distribution	18	(12,387,153)	(12,313,437)
INCOME FROM MAIN OPERATIONS		53,843,776	52,835,813
Financial charges		(9,081,045)	(7,793,722)
Other income, net		634,274	498,986
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES AND ZAKAT		45,397,005	45,541,077
Share in results of associates	8	392,240	814,332
INCOME BEFORE ZAKAT		45,789,245	46,355,409
Zakat	12	(4,882,439)	(6,344,079)
NET INCOME FOR THE YEAR		40,906,806	40,011,330
EARNINGS PER SHARE	19		
From main operations		10.77	10.57
From net income		8.18	8.00

The attached notes 1 to 27 form part of these financial statements.

Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015	2014 Restated – note 21)
		SR	SR
OPERATING ACTIVITIES			
Income before zakat		45,789,245	46,355,409
Adjustments for:			
Depreciation of property and equipment	7	378,199	263,537
Amortisation	9	322,440	1,108,057
Share in results of associates	8	(392,240)	(814,332)
Gain on sale of property and equipment		(5,228)	(72,999)
Unrealized (gain) loss on investments held for trading		(41,007)	114,682
Provision for employees' terminal benefits	13	3,266,059	1,777,282
Provision for doubtful receivables	4	644,140	2,300,000
Provision for doubtful advances to suppliers		-	612,408
		<u>49,961,608</u>	<u>51,644,044</u>
Changes in operating assets and liabilities:			
Accounts receivable		(160,142,139)	(41,627,983)
Prepayments and other receivables		(1,133,853)	7,168,627
Due from an associate		(39,348)	(779,409)
Accounts payable		41,209,013	16,992,706
Accrued expenses and other liabilities		2,259,402	40,134,386
		<u>(67,885,317)</u>	<u>73,532,371</u>
Cash (used in) from operations		(67,885,317)	73,532,371
Employees terminal benefits paid	13	(1,282,094)	(1,298,477)
Zakat paid	12	(3,924,410)	(3,757,111)
		<u>(73,091,821)</u>	<u>68,476,783</u>
Net cash (used in) from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(616,426)	(329,790)
Purchase of intangible assets	9	(801,560)	(205,670)
Proceeds from disposal of property and equipment		5,228	73,000
Dividends received from associates	8	562,500	-
		<u>(850,258)</u>	<u>(462,460)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Proceeds from short term loans		65,672,983	20,784,077
Dividends paid	15	(25,318,295)	(64,198,195)
		<u>40,354,688</u>	<u>(43,414,118)</u>
Net cash from (used in) financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(33,587,391)</u>	<u>24,600,205</u>
Cash and cash equivalents at the beginning of the year		<u>78,148,887</u>	<u>53,548,682</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>44,561,496</u></u>	<u><u>78,148,887</u></u>

The attached notes 1 to 27 form part of these financial statements.

Al Moammar Information Systems Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2015

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2013, as previously stated	50,000,000	22,106,361	64,713,107	136,819,468
Adjustment of an error (note 21)	-	-	607,099	607,099
Balance at 31 December 2013, as restated	50,000,000	22,106,361	65,320,206	137,426,567
Net income for the year	-	-	40,011,330	40,011,330
Transfer to statutory reserve	-	2,893,639	(2,893,639)	-
Dividends (note 15)	-	-	(32,698,195)	(32,698,195)
Balance at 31 December 2014	50,000,000	25,000,000	69,739,702	144,739,702
Net income for the year	-	-	40,906,806	40,906,806
Dividends (note 15)	-	-	(25,318,295)	(25,318,295)
Balance at 31 December 2015	50,000,000	25,000,000	85,328,213	160,328,213

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT

At 31 December 2015

1. ACTIVITIES

Al Moammar Information Systems Company (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh under Commercial Registration numbered 1010063470 dated 10 Muharram 1407H (corresponding to 14 September 1986).

The address of the Company's registered office is as follows:

Pearl Centre, King Abdulaziz road,

P.O.Box 16116

Riyadh 11464

Kingdom of Saudi Arabia

The Company is registered in the Kingdom of Saudi Arabia with the following branches:

<i>Branch Commercial</i>	<i>Date</i>	<i>Location</i>
<i>Registration number</i>		
4030097824	11 Ramadan 1401H	Jeddah
2051011413	12 Safar 1406H	Al-Khobar

The Company is engaged in wholesale, retail sale, installation, operation and maintenance of computers, electronic systems, wireless systems, electric and electronic works and installation, operation and maintenance of telecom technology.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of investments in securities held for trading.

Use of estimate

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

Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable

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

Unbilled receivables

Unbilled receivables comprise of the value of work executed by the Company during the year but not yet billed as at the year end. These amounts will be billed in the subsequent period.

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments held for trading

Investments which are bought with the intention of resale in the short term are classified as trading investments. Such investments are measured and carried in the balance sheet at fair value. Unrealized gains and losses are included in the income for the financial period.

Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value.

Expenditure for repair and maintenance are charged to the income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Depreciation is charged to the statement of income over the estimated useful life of the applicable asset using straight line method. The estimated rate of depreciation of the principal classes of assets are as follows :

Equipment	20%
Motor vehicles	20%
Furniture and fixtures	20%

Investments in an associates

The Company's investments in associates are accounted for using equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in an associate is carried in the balance sheet at cost adjusted by the changes in the Company's share of net assets of the associate. The statement of income reflects the share of the results of operation of the associates. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any change and discloses this, when applicable, in the statement of changes in shareholders' equity. Profits and losses resulting from transactions between the Company and the associates are eliminated to the extent of interest in an associate.

Intangible assets

Intangible asset is measured on initial recognition at cost. Following initial recognition, intangible asset with identifiable life is carried at cost less any accumulated amortization and any accumulated impairment losses and is amortized on a straight line basis over the useful economic life. Intangible asset represents accounting softwares purchased by the company. These are amortized using straight line method over a period of 5 years.

Loans and borrowings

Loans and borrowings are recognized at the proceeds value received by the Company. Financial charges are recorded in the statement of income.

Accounts payable and accruals

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

Zakat

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

Provisions

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

Employees' terminal benefits

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

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must transfer 10% of its annual net income to the statutory reserve until it reaches 50% of the share capital. This having been achieved, the Company decided to discontinue such transfer. The reserve is not available for distribution.

Revenue recognition

Revenue on contracts, where the outcome can be estimated reliably, is recognized under the percentage-of-completion method by reference to the stage of completion of its contract activity. The stage of completion is measured by calculating the proportion of work performed to date as a proportion of the total work to be performed. The management of the Company consider the completion of the physical proportion of the contract work performed as the most appropriate measure of the percentage-of-completion in arriving at the profit to be recognized for the year.

Costs and estimated earnings in excess of billings on uncompleted contract represent revenues recognized in excess of amounts billed.

Billings in excess of cost and estimated earnings on uncompleted contracts represents billings issued in excess of revenues earned.

Revenues from sale of computer hardware and software licenses are recognized upon delivery. Revenue are shown net of returns, trade discounts and volume rebates.

Revenues from support service contracts are recognized on a pro-rata basis over the period of the contract.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen and sales department. All other expenses are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

Foreign currencies

Foreign currency translations

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

Dividends

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

Impairment and un-collectability of financial assets

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

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

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out most of its activities in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

3. CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Bank balances	41,861,496	75,448,887
Short term bank deposits	2,700,000	2,700,000
	<u>44,561,496</u>	<u>78,148,887</u>

4. ACCOUNTS RECEIVABLE

	2015 SR	2014 (Restated – note 21) SR
Trade accounts receivable	330,607,291	282,876,149
Unbilled receivable	150,409,366	35,604,896
Retention receivable	-	2,393,473
	<u>481,016,657</u>	<u>320,874,518</u>
Less :provision for doubtful debts	(5,330,950)	(4,686,810)
	<u>475,685,707</u>	<u>316,187,708</u>

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

	Total	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	> 181 days
2015	325,276,341	73,492,646	41,872,553	46,834,494	52,832,060	110,244,588
2014	278,189,339	23,622,657	80,111,779	84,667,392	23,027,005	66,760,506

Unimpaired trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and vast majority are, therefore, unsecured.

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

4. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts were as follows:

	2015 SR	2014 SR
At the beginning of the year	4,686,810	2,386,810
Provision for the year (note 17)	644,140	2,300,000
At the end of the year	5,330,950	4,686,810

Included in trade accounts receivable are amounts totalling SR 259,263,655 (2014: SR 222,677,294) due from Government and quasi Government institutions.

In addition, the five largest non Government customers account for 10% of the outstanding trade accounts receivable at 31 December 2015 (2014: 18%).

5. PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR	2014 SR
Margin on letters of credit and guarantees (note 22)	6,056,179	4,665,190
Advance to suppliers	2,283,310	2,489,185
Prepaid rent	1,575,305	1,618,531
Advances to employees	1,220,132	978,356
Advance zakat paid	448,473	419,973
Prepaid insurance	293,083	193,335
Prepaid government fees	24,000	36,000
Other receivables	113,639	479,698
Less: provision for doubtful advances to suppliers	(612,408)	(612,408)
	11,401,713	10,267,860

6. INVESTMENTS HELD FOR TRADING

	2015 SR	2014 SR
Fair value:		
At the beginning of the year	2,627	117,309
Unrealised gains (losses) for the year	41,007	(114,682)
At the end of the year	43,634	2,627

These investments represent unquoted shares in a mutual fund.

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

7. PROPERTY AND EQUIPMENT

	<i>Equipment</i> SR	<i>Motor vehicles</i> SR	<i>Furniture and fixtures</i> SR	<i>Total</i> 2015 SR	<i>Total</i> 2014 SR
<i>Cost:</i>					
At the beginning of the year	9,494,496	1,242,059	1,503,132	12,239,687	12,009,897
Additions	315,377	-	301,049	616,426	329,790
Disposals	-	-	-	-	(100,000)
At the end of the year	9,809,873	1,242,059	1,804,181	12,856,113	12,239,687
<i>Depreciation:</i>					
At the beginning of the year	8,804,734	1,242,049	1,372,662	11,419,445	11,255,907
Charge for the year (note 17)	301,409	-	76,790	378,199	263,537
Disposals	-	-	-	-	(99,999)
At the end of the year	9,106,143	1,242,049	1,449,452	11,797,644	11,419,445
<i>Net book amount:</i>					
At 31 December 2015	703,730	10	354,729	1,058,469	
At 31 December 2014	689,762	10	130,470		820,242

8. INVESTMENTS IN ASSOCIATES

The investments are held in the following companies:

	<i>Percentage of ownership</i>	2015 SR	2014 SR
Edarat Group SAL-Lebanon ("Edarat SAL")	50%	303,682	291,010
Edarat Co For Communication And Information Technology ("Edarat")	50%	525,799	888,531
Phoenicia Teech worldwide Inc.-Lebanon ("Phoenicia")	50%	2,508,339	2,328,539
		3,337,820	3,508,080

Movement in investments in associates is as follows :

	<i>Edarat SAL</i> SR	<i>Phoenicia</i> SR	<i>Edarat</i> SR	<i>Total</i> SR
December 31, 2013	250,437	1,906,424	536,887	2,693,748
Share in net income	40,573	422,115	351,644	814,332
December 31, 2014	291,010	2,328,539	888,531	3,508,080
Share in net income	12,671	179,801	199,768	392,240
Dividends received	-	-	(562,500)	(562,500)
December 31, 2015	303,681	2,508,340	525,799	3,337,820

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

9. INTANGIBLE ASSETS

Movement in intangible assets during the year was as follows:

	<i>ERP software microsoft dynamics SR</i>	<i>Application development project SR</i>	<i>Other softwares SR</i>	<i>Total 2015 SR</i>	<i>Total 2014 SR</i>
Cost:					
At the beginning of the year	712,471	4,532,387	570,224	5,815,082	5,609,412
Additions	-	-	801,560	801,560	205,670
At 31 December	712,471	4,532,387	1,371,784	6,616,642	5,815,082
Amortisation:					
At the beginning of the year	569,974	4,532,387	309,684	5,412,045	4,303,988
Amortised during the year (note 17)	142,494	-	179,946	322,440	1,108,057
At 31 December	712,468	4,532,387	489,630	5,734,485	5,412,045
Net carrying value At 31 December	3	-	882,154	882,157	403,037

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2015 SR</i>	<i>2014 (Restated – note 21) SR</i>
Accrued project costs	38,211,441	39,914,555
Withholding tax payable (note 12)	16,242,547	14,710,781
Accrued employee costs	2,934,516	1,143,321
Accrued utilities	572,436	460,080
Others	657,202	130,003
	58,618,142	56,358,740

11. SHORT TERM LOANS

The short term loans are obtained from various local banks to meet the working capital requirements. These borrowings are secured by personal guarantees of the shareholders, promissory notes and assignment of certain contract proceeds and carry commission charges at prevailing market borrowing rates.

Al Moammar Information Systems Company
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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

12. ZAKAT

Charge for the year

The zakat charge consists of:

	2015 SR	2014 SR
Charge for the year	<u>4,882,439</u>	<u>6,344,079</u>

The zakat provision for the year is based on the following:

	2015 SR	2014 SR
Equity	119,421,407	104,121,273
Opening allowances and other adjustments	29,818,257	13,985,187
Book value of long term assets	<u>(5,546,231)</u>	<u>(5,159,197)</u>
	143,693,433	112,947,263
Zakatable income for the year	<u>51,604,137</u>	<u>60,828,057</u>
Zakat base	<u>195,297,570</u>	<u>173,775,320</u>

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

Movements in provision during the year

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

	2015 SR	2014 SR
At the beginning of year	6,086,424	3,499,456
Provided during the year	4,882,439	4,344,383
Payments during the year	<u>(3,924,410)</u>	<u>(3,757,111)</u>
Provision for prior years	-	1,999,696
At the end of year	<u>7,044,453</u>	<u>6,086,424</u>

Status of assessments

The Company has finalized its zakat assessment with the DZIT up to year 2007 and obtained the final zakat assessment. The Company has filed the zakat returns for the years from 2008 to 2014 which are still under review by DZIT.

During 2011, the Company received final assessment with the DZIT for the years 2006 and 2007 for which raised an additional withholding tax liability of SR 6,097,791. The Company objected the assessment with the Preliminary Objection Committee (the "Committee"), paid the total amount under protest, and recognized it in the statement of income. At the balance sheet date, a reasonable estimate of the outcome and ultimate tax liability were assessed by the management based on their best estimates for the years ended 31 December 2008 to 31 December 2015 and have provided for these liabilities in the financial statements (note 21). The Company has recognized the liability after taking into account advice from its zakat advisor. The assessments are yet to be made by DZIT up to years 31 December 2014 and the outcome cannot be reasonably determined.

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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

13. EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

	2015 SR	2014 SR
At the beginning of the year	8,928,335	8,449,530
Charge for the year	3,266,059	1,777,282
Payments during the year	(1,282,094)	(1,298,477)
At the end of the year	<u>10,912,300</u>	<u>8,928,335</u>

14. CAPITAL

Capital is divided into 5,000,000 shares (2014: 5,000,000 shares) of SR 10 each.

15. DIVIDENDS

The board of directors in their meeting held on 12 February 2015 proposed the distribution of interim cash dividends of SR 5.063 per share totaling SR 25.32 million. The shareholders also in their meeting held on 12 February 2015 approved the distribution of interim cash dividends.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Following is the list of related parties of the Company:

<i>Name of related party</i>	<i>Nature of relationship</i>
Edarat group SAL	Associate

Pricing policies and terms of the transactions are agreed on with the Company's management.

a) The transactions and balances with related parties are as follows:

Transactions with related parties included in the statement of income are as follows:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		2015 SR	2014 SR
Associate	Purchases	8,688,655	6,705,449
	Rental income	331,605	295,453

Following are the details of the amount due from a related party:

	2015 SR	2014 SR
Edarat Group SAL	<u>780,381</u>	<u>741,033</u>

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At 31 December 2015

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Transactions and balances with shareholders are as follows:

Following are the details of transactions with the shareholders during the year:

	<i>Amount of transaction</i>	
	2015	2014
	SR	SR
Salaries and benefits	<u>727,614</u>	<u>542,908</u>

Following are the details of balances with the shareholders during the year:

	2015	2014
	SR	SR
	<u>4,104</u>	<u>8,947</u>
Other payable		

17. GENERAL AND ADMINISTRATION EXPENSES

	2015	2014 (Restated - note 21)
	SR	SR
Employees cost	22,005,725	20,478,238
Withholding tax expense	2,267,559	14,710,781
Rent	2,261,220	1,870,565
Office supplies	1,037,211	920,863
Professional fees	705,750	841,811
Provision for doubtful receivables (note 4)	644,140	2,300,000
Travel	514,263	371,760
Depreciation (note 7)	378,199	263,537
Amortization (note 9)	322,440	1,108,057
Postage and communication	289,996	241,982
Provision for doubtful advances to suppliers	-	262,408
Others	213,535	223,929
	<u>30,640,038</u>	<u>43,593,931</u>

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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

18. SELLING AND DISTRIBUTION EXPENSES

	2015 SR	2014 SR
Employees cost	8,463,218	8,057,461
Advertising and sales promotion	3,923,935	4,255,976
	<u>12,387,153</u>	<u>12,313,437</u>

19. EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2015 and 2014 have been computed by dividing the income from main operations and net income for the year by the weighted-average number of ordinary shares of 5 million outstanding during the year 31 December 2015 and 2014 respectively.

20. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business units based on service provided and has the following reportable segments:

E-Services Unit

E-Services provides software in areas of business service management, data center monitoring and optimization, in addition to contract center related solutions, as per requirements.

Geographical Information System Unit

GIS is a Business Unit that help plan, design, establish and equip modern GIS centers, providing business with necessary infrastructure. It aids in building geographic data, training client teams, configuring GIS tools and building end-user applications

Hardware & System Integration Unit

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

Information Security System Unit

ISSU 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 ICT.

Operation & Maintenance Unit

Operation and Maintenance Unit is the Management Operation & 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.

Corporate

The Corporate Division is mainly involved in planning and execution of the overall objectives of the Company and synchronizes the function of finance, operations, procurement, logistics, sales, administration, and human resources department.

Management monitors the operational results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is based on operating profit and loss. The Company does not track assets and liabilities by business segment. These are not reported to the board of directors under any related segments and are monitored on a centralised basis and are accordingly disclosed as unallocated assets and liabilities.

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NOTES TO THE FINANCIAL STATEMENT (continued)
At 31 December 2015

20. SEGMENTAL INFORMATION (continued)

Consistent with the Company's internal reporting process, business segments have been approved by board of directors in respect of the Company's activities. Transactions between the business segments are reported at cost. The Company's revenue, gross profit and net assets by business, are as follows:

Business segments

<i>Year ended December 31, 2015</i>	<i>E-Services</i>	<i>Geographic</i>	<i>Hardware and</i>	<i>Information</i>	<i>Networking</i>	<i>Operation</i>	<i>Corporate</i>	<i>Total</i>
	<i>Unit</i>	<i>information</i>	<i>systems</i>	<i>security</i>	<i>unit</i>	<i>and</i>		
	<i>SR</i>	<i>systems unit</i>	<i>integration</i>	<i>systems unit</i>	<i>unit</i>	<i>maintenance</i>	<i>SR</i>	<i>SR</i>
Sales	66,398,205	96,102,412	300,254,805	83,092,068	98,961,178	71,996,822	-	716,805,490
Cost of sales	(46,084,538)	(86,743,200)	(267,200,920)	(71,123,234)	(87,135,255)	(61,647,376)	-	(619,934,523)
Gross profit	20,313,667	9,359,212	33,053,885	11,968,834	11,825,923	10,349,446	-	96,870,967
Operating and finance expenses	-	-	-	-	-	-	(52,108,236)	(52,108,236)
Share in income of associate	-	-	-	-	-	-	392,240	392,240
Other income	-	-	-	-	-	-	634,274	634,274
Income before zakat	20,313,667	9,359,212	33,053,885	11,968,834	11,825,923	10,349,446	(51,081,722)	45,789,245
Unallocated assets	-	-	-	-	-	-	-	537,751,377
Unallocated liabilities	-	-	-	-	-	-	-	377,423,164

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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

20. SEGMENTAL INFORMATION (continued)

Year ended December 31, 2014	E-Services Unit		Geographic information systems unit		Hardware and systems integration unit		Information security systems unit		Networking unit		Operation and maintenance unit		Corporate		Total (Restated - note 21)	
	SR		SR		SR		SR		SR		SR		SR		SR	
Sales	63,027,276		66,359,137		248,669,278		66,478,143		68,328,364		55,670,798		-		568,532,996	
Cost of sales	(32,125,375)		(47,685,200)		(217,764,052)		(55,211,457)		(58,211,854)		(48,791,877)		-		(459,789,815)	
Gross profit	30,901,901		18,673,937		30,905,226		11,266,686		10,116,510		6,878,921		-		108,743,181	
Operating and finance expenses	-		-		-		-		-		-		(63,701,090)		(63,701,090)	
Share in income of associate	-		-		-		-		-		-		814,332		814,332	
Other income	-		-		-		-		-		-		498,986		498,986	
Income (loss) before zakat	30,901,901		18,673,937		30,905,226		11,266,686		10,116,510		6,878,921		(62,387,772)		46,355,409	
Unallocated assets	-		-		-		-		-		-		-		410,079,474	
Unallocated liabilities	-		-		-		-		-		-		-		265,339,772	

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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

21. RECTIFICATION OF AN ERROR

During the year, the Company noted an error in its previous years' financial statements and accordingly, restated comparative figures, to rectify the noted errors. The restatement has resulted from:

- a) Error in the computation of the incurred project cost and its related unbilled revenue.
- b) The Company taking prudent steps to provide for withholding taxes for years ended 31 December 2008 to 31 December 2014. These have been adjusted by the management based on their best estimate and advice from its zakat advisor.

The impact of prior year adjustment and restatement for the year ended 31 December 2013 and 2014 are as follows:

	2014 SR <i>Previously stated</i>	2014 SR <i>Effect of restatement</i>	2014 SR <i>Restated</i>
Accounts receivable	290,552,124	(5,282,502)	285,269,622
Unbilled revenue	5,282,502	30,322,394	35,604,896
Accrued project cost	46,231,151	(21,442,017)	24,789,134
Accrued withholding tax for prior years (note 12)	2,700,000	12,010,781	14,710,781
	<u>543,493,107</u>	<u>25,039,889</u>	<u>568,532,996</u>
Sales	543,493,107	25,039,889	568,532,996
Cost of sales	(438,347,798)	(21,442,017)	(459,789,815)
Withholding tax expense	(2,700,000)	(12,010,781)	(14,710,781)
	<u>48,424,239</u>	<u>(8,412,909)</u>	<u>40,011,330</u>
Net profit for the year	<u>48,424,239</u>	<u>(8,412,909)</u>	<u>40,011,330</u>
Retained earnings	<u>78,152,611</u>	<u>(8,412,909)</u>	<u>69,739,702</u>
	<u>78,152,611</u>	<u>(8,412,909)</u>	<u>69,739,702</u>
	2013 SR <i>Previously stated</i>	2013 SR <i>Effect of restatement</i>	2013 SR <i>Restated</i>
Unbilled receivables	-	5,282,502	5,282,502
Accrued project cost	9,633,955	(4,675,403)	4,958,552
	<u>9,633,955</u>	<u>(4,675,403)</u>	<u>4,958,552</u>
Net profit for the year	<u>69,594,788</u>	<u>607,099</u>	<u>70,201,887</u>
	<u>69,594,788</u>	<u>607,099</u>	<u>70,201,887</u>

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NOTES TO THE FINANCIAL STATEMENT (continued)

At 31 December 2015

22. CONTINGENT LIABILITIES

The following contingent liabilities were outstanding at the balance sheet date:

	2015	2014
	SR	SR
Guarantees given in the ordinary course of business:		
Letters of credit	11,742,269	2,389,125
Letters of guarantee	91,289,123	69,466,388
	<u>103,031,392</u>	<u>71,855,513</u>

23. RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its commission bearing short term bank deposits and loans. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available. The Company's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 30 to 60 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities.

The Company's financial assets consist of cash and cash equivalents, receivables and investments held for trading. Its financial liabilities consist of loans and borrowings and payables.

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

25. KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of income.

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

26. COMPARATIVE FIGURES

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

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 7 Rajab 1437H (corresponding to 14 April 2016).