

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

**Financial Statements**

**31 December 2018**

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

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**FINANCIAL STATEMENTS**

31 December 2018

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF AL MOAMMAR INFORMATION SYSTEMS COMPANY  
(A Closed Saudi Joint Stock Company)**

**Opinion**

We have audited the financial statements of Al Moammar Information Systems Company (A Closed Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the related statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in KSA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in KSA that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in KSA and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs that are endorsed in KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF AL MOAMMAR INFORMATION SYSTEMS COMPANY  
(A Closed Saudi Joint Stock Company) (continued)**

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

As part of an audit in accordance with ISAs that are endorsed in KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young



Yousef A. AlMubarak  
Certified Public Accountant  
License No. 427

Riyadh: 15 Jumad Thani 1440H  
(20 February 2019)



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

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2018

		2018	2017
			(Restated –
			Note 31)
	Notes	SR	(Note 6)
			SR
Revenue from contracts	7	886,150,723	750,976,345
Direct costs		(752,528,170)	(631,708,373)
<b>Gross profit</b>		<b>133,622,553</b>	<b>119,267,972</b>
Selling and marketing expenses	8	(9,720,394)	(11,799,725)
General and administration expenses	9	(37,201,962)	(31,510,136)
Provision for doubtful debts	17 & 18	(812,488)	(5,009,421)
<b>Income from main operations</b>		<b>85,887,709</b>	<b>70,948,690</b>
Share in losses of associates, net	16	(241,807)	(524,885)
Finance costs	10	(19,520,329)	(15,657,389)
Finance income		3,732,023	1,743,335
Other income		485,584	1,584,704
<b>Income before zakat</b>		<b>70,343,180</b>	<b>58,094,455</b>
Zakat	11	(5,830,700)	(6,473,166)
<b>Net income for the year</b>		<b>64,512,480</b>	<b>51,621,289</b>
<b>Other comprehensive income</b>			
<i>Item that will be reclassified to profit or loss:</i>			
Revaluation adjustment on investment at FVOCI	21	33	-
<i>Item that will not be reclassified to profit or loss:</i>			
Re-measurements of employees' defined benefit obligations	23	5,655,642	4,380,000
<b>Total other comprehensive income</b>		<b>5,655,675</b>	<b>4,380,000</b>
<b>Total comprehensive income for the year</b>		<b>70,168,155</b>	<b>56,001,289</b>
<b>Basic and diluted earnings per share:</b>	12		
Income from main operations		5.37	4.43
Net income for the year		4.03	3.23

The accompanying notes from 1 to 34 form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

31 December 2018

		31 December 2017 (Restated – Note 31) (Note 6) SR	1 January 2017 (Restated – Note 31) (Note 6) SR
	Note	31 December 2018 SR	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Trade receivables, non-current	17	28,997,083	38,449,164
Property and equipment	13	9,761,819	9,101,437
Intangible assets	14	1,588,969	1,035,348
Investments at fair value through other comprehensive income ("FVOCI")	15	1,218	1,185
Investment in associates	16	1,818,776	2,060,583
<b>Total non-current assets</b>		<b>42,167,865</b>	<b>50,647,717</b>
<b>Current assets</b>			
Trade receivables and other assets	17	373,454,298	342,868,742
Contract assets	18	303,091,489	247,215,994
Deferred costs		72,297,245	86,276,304
Cash and cash equivalents	19	106,365,312	55,814,301
<b>Total current assets</b>		<b>855,208,344</b>	<b>732,175,341</b>
<b>TOTAL ASSETS</b>		<b>897,376,209</b>	<b>782,823,058</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	20	160,000,000	50,000,000
Statutory reserve	21	6,451,248	25,000,000
Other reserves	21	10,035,675	4,380,000
Retained earnings		20,101,458	79,040,226
<b>Total shareholders' equity</b>		<b>196,588,381</b>	<b>153,560,634</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities, non-current	18	25,721,628	120,494,418
Employees' defined benefit obligations	23	14,334,505	18,137,000
<b>Total non-current liabilities</b>		<b>40,056,133</b>	<b>138,631,418</b>
<b>Current liabilities</b>			
Short-term loans	24	266,971,970	179,103,504
Trade and other liabilities	25	224,885,814	200,562,308
Contract liabilities	18	151,218,171	66,632,436
Dividends payable	26	11,825,040	33,000,000
Zakat payable	11	5,830,700	6,473,166
<b>Total current liabilities</b>		<b>660,731,695</b>	<b>485,771,414</b>
<b>Total liabilities</b>		<b>700,787,828</b>	<b>624,402,832</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>897,376,209</b>	<b>601,559,089</b>

The accompanying notes from 1 to 34 form an integral part of these financial statements.

**Al Moammar Information Systems Company**  
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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For year ended 31 December 2018

	<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>
At 1 January 2017, as previously reported	50,000,000	25,000,000	216	95,790,765	170,790,981
Restatements (note 31)	-	-	-	(7,575,025)	(7,575,025)
IFRSs as endorsed in KSA adjustments (note 6)	-	-	-	(9,655,322)	(9,655,322)
At 1 January 2017, as restated	50,000,000	25,000,000	216	78,560,418	153,560,634
Net income for the year, as restated (note 6)	-	-	-	51,621,289	51,621,289
Other comprehensive income for the year, as restated (note 6)	-	-	4,380,000	-	4,380,000
Total comprehensive income for the year, as restated (note 6)	-	-	4,380,000	51,621,289	56,001,289
Disposal of investment at FVOCI (note 21)	-	-	(216)	-	(216)
Dividends (note 22)	-	-	-	(51,141,481)	(51,141,481)
At 31 December 2017, as restated (note 6)	50,000,000	25,000,000	4,380,000	79,040,226	158,420,226
Net income for the year	-	-	-	64,512,480	64,512,480
Other comprehensive income for the year	-	-	5,655,675	-	5,655,675
Total comprehensive income for the year	-	-	5,655,675	64,512,480	70,168,155
Share capital increase (note 20)	110,000,000	(25,000,000)	-	(85,000,000)	-
Transfer to statutory reserve (note 21)	-	6,451,248	-	(6,451,248)	-
Dividends (note 22)	-	-	-	(32,000,000)	(32,000,000)
At 31 December 2018	160,000,000	6,451,248	10,035,675	20,101,458	196,588,381

The accompanying notes from 1 to 34 form an integral part of these financial statements.

**Al Moammar Information Systems Company**  
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**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2018

		2018	2017
			(Restated –
			Note 31)
		(Note 6)	
	Notes	SR	SR
<b>Operating activities</b>			
Income before zakat		70,343,180	58,094,455
Adjustments:			
Finance costs	10	19,520,329	15,657,389
Provision for employees' defined benefit obligations	23	4,842,177	6,728,000
Provision for doubtful debts	17 & 18	812,488	5,009,421
Depreciation	13	384,939	339,948
Amortization	14	340,991	307,119
Share in losses of associates, net	16	241,807	524,885
Provision for impairment of advances to suppliers		-	60,000
		96,485,911	86,721,217
Changes in working capital:			
Trade receivables and other assets		(41,466,292)	(59,219,104)
Contract assets		(55,875,495)	(106,975,982)
Deferred costs		13,979,059	(22,754,773)
Trade and other liabilities		39,902,470	40,765,609
Contract liabilities		(10,187,055)	95,813,606
<b>Net cash generated from operations</b>		42,838,598	34,350,573
Employees' defined benefit obligations paid	23	(2,989,030)	(1,721,000)
Zakat paid	11	(6,473,166)	(5,321,318)
<b>Net cash generated from operating activities</b>		33,376,402	27,308,255
<b>Investing activities</b>			
Additions to property and equipment	13	(1,050,065)	(8,550,636)
Intangible assets	14	(894,612)	(577,262)
Proceeds from disposal of property and equipment		4,744	21,001
Proceeds from disposal of investments at FVOCI		-	42,449
<b>Net cash used in investing activities</b>		(1,939,933)	(9,064,448)
<b>Financing activities</b>			
Proceeds from short-term loans	24	666,166,116	450,951,317
Repayment of short-term loans	24	(578,297,650)	(434,030,650)
Finance costs paid		(15,578,964)	(11,895,353)
Dividends paid	22 & 26	(53,174,960)	(18,141,481)
<b>Net cash generated from (used in) financing activities</b>		19,114,542	(13,116,167)
<b>Net increase in cash and cash equivalents</b>		50,551,011	5,127,640
Cash and cash equivalents at the beginning of the year		55,814,301	50,686,661
<b>Cash and cash equivalents at the end of the year</b>	19	106,365,312	55,814,301

The accompanying notes from 1 to 34 form an integral part of these financial statements.



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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE INFORMATION AND ACTIVITIES

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

The registered office of the Company is located at Pearl Centre, King Abdulaziz road, P.O. Box 16116, Riyadh 11464, KSA.

The Company is registered in KSA with the following branches as at 31 December 2018:

<i>Commercial registration number</i>	<i>Commercial registration date</i>	<i>Location</i>
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 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. BASIS OF PREPARATION

#### Statement of compliance

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA"). Accordingly, IFRS 1 "First time adoption of International Financial Reporting Standards" endorsed in KSA has been applied. Significant accounting policies are described in note (5) to the financial statements. Refer to note (6) for further information.

#### Basis of measurement and functional currency

These financial statements are prepared under the historical cost convention except for measurement of investments at FVOCI. These financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Company.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

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

31 December 2018

**3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)**

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Long-term assumptions for employee benefits

Employees' defined benefit obligations represent liabilities that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

**Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the financial statements:

Provision for doubtful debts

The Company reviews its trade receivables and contracts assets at each reporting date to assess whether a provision for doubtful debts should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Refer to note (28) for further information.

Economic 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. The Company 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.

Determination of significant influence

Judgement was required, particularly where the Company 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)**

**Critical judgements in applying accounting standards (continued)**

Determination of significant influence (continued)

In case of such investee, the Company's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. 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 Company's shareholding rights in the investee's general meetings, as well as the Company's representation on Board of Directors of such investee and the Company's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

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

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standard that is issued, but not yet effective, up to the date of the Company's financial statements are disclosed below. The Company intends to adopt this standard, if applicable, when they become effective.

IFRS 16: Leases

The International Accounting Standards Board (IASB) has issued a new standard for the recognition of leases. This standard will replace:

- International Accounting Standard (IAS) 17 – 'Leases'
- International Financial Reporting Interpretations Committee (IFRIC) 4 – 'Whether an arrangement contains a lease'
- Standard Interpretations Committee (SIC) 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption of certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2019, with earlier application permitted. Management is currently assessing the effect of this standard on the future financial reporting periods of the Company.

Management anticipates that this new standard will be adopted in the Company's financial statements for the year when they are applicable and adoption of these new standard, interpretation and amendments.

Management anticipates that IFRS 16 will be adopted for the annual year beginning 1 January 2019. The application of IFRS 16 may have an impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's lease arrangements. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Company completes a detailed review.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company in the preparation of these financial statements are set out below:

***Foreign currencies***

Presentation currency

The financial statements are presented in SR; as it is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into SR at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in statement of comprehensive income).

***Current versus non-current classification***

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is;

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets that do not meet the above criteria, as non-current.

A liability is classified as current when:

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

The Company classifies all other liabilities that do not meet the above criteria, as non-current.

***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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fair value measurement (continued)***

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.

The Company 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company 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 period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained previously.

***Revenue recognition***

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The new revenue standard introduces a single principle-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Being a first time adopter in 2018, the Company has applied IFRS 15 retrospectively from the earliest presented period, which is 1 January 2017 (the date of transition to IFRSs as endorsed in KSA) and used certain practical expedients (as listed below).

The Company recognizes revenue as and when customer receives and consumes the goods and services provided by the Company, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting IFRS 15 on the recognition of revenue of the Company.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when the services are rendered to customers and goods are delivered to the customers.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Revenue recognition (continued)*

Variable consideration

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company is entitled in exchange for transferring the promised goods and services to a customer. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

Significant financing component

The Company adjusts the promised amount of consideration, if any, for the time value of money if the contract contains a significant financing component.

Measuring progress towards complete satisfaction of a performance obligation

For revenue streams, the performance obligation (rendering of services or delivery of goods) is satisfied either point in time or over time. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

Contract costs

Contract costs are recognized as an expense unless the Company has a reasonable expectation to recover these costs from its customers. The Company amortizes these costs either point in time or on a systematic basis, consistent with the transfer of the goods and services to the customers. There was no restatement due to this change as the Company has no contract costs.

Contract assets and liabilities

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. There have been a reclassification from unbilled receivable to contract assets and from deferred revenue to contract liabilities due to this change.

Principal versus agent consideration

The Company has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Company has considered if it has obtained control of the specified goods and services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Company has concluded that they are principal in all revenue arrangements. There was no restatement due to this change as the Company's policy is already in line with the requirements of IFRS 15.

As required for the financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note (7) for the disclosure on disaggregated revenue.

The Company recognizes revenue from the following major sources:

- Sale of computer hardware
- Sale of software licenses
- Hardware maintenance services
- Software license support
- Supply of manpower

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue recognition (continued)***

Presentation and disclosure requirements

*Sale of computer hardware*

The Company supplies computer hardware to Government and Private sector customers in KSA. Warranties associated with the sale of computer hardware are provided by vendors.

Revenue is recognised when control of the computer hardware is transferred, generally on delivery of the equipment. Accordingly, the revenue from sale of computer hardware is recognized at a point in time.

*Sale of software licenses*

Revenue from software licenses is recognized when the company transfers the control of the software licenses to a customer. Accordingly, the revenue from sale of software licenses is recognized at a point in time.

*Hardware maintenance services*

Hardware maintenance service is considered to be a distinct service as it is regularly supplied by the Company to its customers on a standalone basis and is available for customers from other providers in the market. Revenue relating to the maintenance services is recognised over the period of time.

*Software license support*

The Company provides various software installation and other support services for specialized business operations. Revenue from software license support is recognized over the period of time.

*Supply of manpower*

The Company provides technical manpower to support customers in implementing various IT projects. Revenue from supply of manpower is recognized over the period of time.

Other income

Other income is recognized when earned.

***Costs and expenses***

Costs which are directly related to goods or services provided are classified as direct costs. 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.

***Zakat***

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") 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 GAZT.

***Cash and cash equivalents***

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments*

IFRS 9 required financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through OCI and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in OCI only when the equity instrument is not held for trading. Measurement and classification of financial assets is dependent on the entity's business model for managing the debt financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in OCI rather than the statement of comprehensive income, unless this creates an accounting mismatch.

IFRS 9 introduced a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer required a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

IFRS 9 requires an entity to always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that a) do not contain a significant financing component in accordance with IFRS 15; or b) contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

The effect of adopting IFRS 9 is disclosed in note (6) to the financial statements which pertains to the new impairment requirements and reclassification of original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial instruments.

Recognition and initial measurement

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.

A financial instrument is recognized in the statement of financial position when the Company becomes party to the contractual provisions of the financial instrument.

A financial instrument is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial instruments (continued)*

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:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI and upon derecognition, cumulative amounts of gain or loss previously recognized in OCI will be reclassified to profit or loss. 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 Company 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.

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

The Company has classified its investments as FVOCI as these contractual cash flows are limited to principal and interest only. The Company has exercised irrevocable option to classify these at FVOCI.

*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 statement of income.

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 statement of income. Any gain or loss on derecognition is recognized in the statement of income.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial instruments (continued)*

Financial assets (continued)

*Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

*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 Company's statement of financial position) when: the rights to receive cash flows from the asset have expired or the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

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

The Company applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- trade receivables; and
- contract assets

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified Gross Domestic Product ("GDP") of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors. The expected credit losses on these financial assets are estimated using a provision matrix.

The Company considers default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Company.

*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 Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial instruments (continued)***

Financial liabilities

*Initial recognition and measurement*

The Company 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 the statement of income. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in the statement of income. Any gain or loss on derecognition is also recognized in the statement of income.

Trade payables represent liabilities for goods and services provided to the Company 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 period. They are measured at amortized cost using the EIR method.

*Derecognition*

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

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.

***Property and equipment***

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the statement of comprehensive income in the period they are incurred. Betterments that increase the value or materially extend the life of the related assets are capitalized.

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 period. Land and CWIP are not depreciated.

Depreciation is calculated from the date the item of depreciable property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and equipment (continued)***

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Residual values, useful lives and methods of depreciation of property and equipment are reviewed on an annual basis, and adjusted prospectively, if appropriate, at each statement of financial position date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the 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 in the period when the asset is derecognized.

The carrying amounts of property and equipment is written-down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

***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 period and the amortization method are reviewed at least at the end of each reporting period. 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 period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, including application software, 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 Company applies an annual rates of amortization of 20% to 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 income.

***Deferred costs***

Deferred costs consists of cost of services that will be recognized as direct costs over the period of customer contracts for which the performance obligations are being satisfied.

***Impairment of non-financial assets***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Impairment of non-financial assets (continued)***

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss, except for goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

***Investment in associates***

An associate is an entity over which the Company 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.

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in the statement of income, and the Company's share of movements in OCI of the investee in statement of comprehensive income, if any.

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

When the Company'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 Company 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 Company and its associate are eliminated to the extent of the Company'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 Company's share on earnings or losses of associates is shown on the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investment in associates (continued)*

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Company determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Company 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 the statement of income.

Upon loss of significant influence over an associate, the Company 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 the statement of income.

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 the statement of income where appropriate.

*Dividends*

The Company recognizes a liability to make dividend distribution to the shareholders of the Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as and when declared and approved by the Board of Directors.

*Provisions*

Provisions are recognized when the Company 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 measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

*Leases*

Company as lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Leases are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period 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 Company'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 Company pays benefits as they fall due when employees leave service.

The DBO is re-measured on a periodic 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 DBO also depends on the assumptions for future salary increases and the rate at which employees are expected to leave. The Company assumed salaries will increase at a rate of 5%p.a. for full-time employees and 0%p.a. for contractual employees above the discount rate, in order to provide stability to the other comprehensive income ("OCI") account. The Company updates the assumptions from year to year based on the actual experience of the Company.

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 period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the statement of income as past service costs.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

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

*Segment reporting*

An operating segment is a component of the Company:

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Segment reporting (continued)*

The Company'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 Company 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.

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 Company only operates in KSA and accordingly has no geographical segment.

**6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA**

For all financial years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") issued by SOCPA in KSA (referred to "SOCPA GAAP"). As explained in note (2) above, these financial statements are the Company's first annual financial statements prepared in accordance with IFRSs as endorsed in KSA. Accordingly, the Company has applied IFRSs as endorsed in KSA for the preparation of its financial statements for the period beginning 1 January 2018 as well as for presenting the relevant comparative data.

In compliance with requirements of IFRS 1 as endorsed in KSA, the financial statements were prepared after incorporating required adjustments to reflect the transition to IFRSs as endorsed in KSA from the previous SOCPA GAAP. The Company has analyzed the impact on the statement of financial position as at the transition date (1 January 2017) and 31 December 2017, and the statement of comprehensive income for the year ended 31 December 2017.

In addition, this is the first set of the Company's annual financial statements where IFRS 15 and IFRS 9 have been retrospectively applied. The notes below explain the significant adjustments in transitioning from SOCPA GAAP to IFRSs as endorsed in KSA including the effect of the Company adoption of IFRS 15 and IFRS 9.

**6.1 Exemption applied**

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRSs as endorsed in KSA. There have been no exemptions availed by the Company upon transition to IFRSs as endorsed in KSA.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)

6.2 Reconciliation of statement of financial position as at 1 January 2017 (date of transition to IFRSs as endorsed in KSA)

	Notes	As previously reported (SOCPA GAAP) SR	Correction of prior year errors (note 31) SR	Adjustments/ Re- classifications SR	Balance as per IFRSs as endorsed in KSA SR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Trade receivables, non-current	6.5.2	-	-	24,505,626	24,505,626
Property and equipment		890,750	-	-	890,750
Intangible assets		765,205	-	-	765,205
Investments at FVOCI	6.5.3	-	-	43,850	43,850
Available for sale investments	6.5.3	43,850	-	(43,850)	-
Investment in associates		2,585,468	-	-	2,585,468
<b>Total non-current assets</b>		<b>4,285,273</b>	<b>-</b>	<b>24,505,626</b>	<b>28,790,899</b>
<b>Current assets</b>					
Trade receivables and other assets	6.5.2, 6.5.3 & 6.5.5	325,545,725	-	(10,029,219)	315,516,506
Prepayments and other receivables	6.5.5	16,719,735	-	(16,719,735)	-
Unbilled receivables	6.5.4	144,843,994	-	(144,843,994)	-
Contract assets	6.5.2 to 6.5.4	-	-	143,043,492	143,043,492
Deferred costs		-	63,521,531	-	63,521,531
Amounts due from an associate	6.5.5	787,193	-	(787,193)	-
Cash and cash equivalents		50,686,661	-	-	50,686,661
<b>Total current assets</b>		<b>538,583,308</b>	<b>63,521,531</b>	<b>(29,336,649)</b>	<b>572,768,190</b>
<b>TOTAL ASSETS</b>		<b>542,868,581</b>	<b>63,521,531</b>	<b>(4,831,023)</b>	<b>601,559,089</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital		50,000,000	-	-	50,000,000
Statutory reserve		25,000,000	-	-	25,000,000
Other reserves	6.5.1 & 6.5.5	-	-	216	216
Revaluation reserve for investments at FVOCI	6.5.5	216	-	(216)	-
Retained earnings	6.5.1 to 6.5.3	95,790,765	(7,575,025)	(9,655,322)	78,560,418
<b>Total shareholders' equity</b>		<b>170,790,981</b>	<b>(7,575,025)</b>	<b>(9,655,322)</b>	<b>153,560,634</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Contract liabilities, non-current		-	26,037,256	-	26,037,256
Employees' defined benefit obligations	6.5.1	11,908,119	-	5,601,881	17,510,000
<b>Total non-current liabilities</b>		<b>11,908,119</b>	<b>26,037,256</b>	<b>5,601,881</b>	<b>43,547,256</b>
<b>Current liabilities</b>					
Short-term loans		162,182,837	-	-	162,182,837
Trade and other liabilities	6.5.5	92,223,871	(20,216,692)	97,950,414	169,957,593
Accrued expenses and other liabilities	6.5.5	98,727,996	-	(98,727,996)	-
Contract liabilities	6.5.5	-	65,275,992	-	65,275,992
Zakat payable		7,034,777	-	-	7,034,777
<b>Total current liabilities</b>		<b>360,169,481</b>	<b>45,059,300</b>	<b>(777,582)</b>	<b>404,451,199</b>
<b>Total liabilities</b>		<b>372,077,600</b>	<b>71,096,556</b>	<b>4,824,299</b>	<b>447,998,455</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>542,868,581</b>	<b>63,521,531</b>	<b>(4,831,023)</b>	<b>601,559,089</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)**

**6.3 Reconciliation of statement of financial position as at 31 December 2017**

	Notes	As previously reported (SOCPA GAAP) SR	Correction of prior year errors (note 31) SR	Adjustments/ Re- classifications SR	Balance as per IFRSs as endorsed in KSA SR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Trade receivables, non-current	6.5.2	-	-	38,449,164	38,449,164
Property and equipment		9,101,437	-	-	9,101,437
Intangible assets		1,035,348	-	-	1,035,348
Investments at FVOCI	6.5.3	-	-	1,185	1,185
Available for sale investments	6.5.3	1,185	-	(1,185)	-
Investment in associates		2,060,583	-	-	2,060,583
<b>Total non-current assets</b>		<b>12,198,553</b>	<b>-</b>	<b>38,449,164</b>	<b>50,647,717</b>
<b>Current assets</b>					
Trade receivables and other assets	6.5.2, 6.5.3 & 6.5.5	369,928,751	-	(27,060,009)	342,868,742
Prepayments and other receivables	6.5.5	15,044,994	-	(15,044,994)	-
Unbilled receivables	6.5.4	253,047,651	-	(253,047,651)	-
Contract assets	6.5.2 to 6.5.4	-	-	247,215,994	247,215,994
Deferred costs		-	86,276,304	-	86,276,304
Amounts due from an associate	6.5.5	787,193	-	(787,193)	-
Cash and cash equivalents		55,814,301	-	-	55,814,301
<b>Total current assets</b>		<b>694,622,890</b>	<b>86,276,304</b>	<b>(48,723,853)</b>	<b>732,175,341</b>
<b>TOTAL ASSETS</b>		<b>706,821,443</b>	<b>86,276,304</b>	<b>(10,274,689)</b>	<b>782,823,058</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital		50,000,000	-	-	50,000,000
Statutory reserve		25,000,000	-	-	25,000,000
Other reserves	6.5.1 & 6.5.5	-	-	4,380,000	4,380,000
Retained earnings	6.5.1 to 6.5.3	121,457,616	(22,620,771)	(19,796,619)	79,040,226
<b>Total shareholders' equity</b>		<b>196,457,616</b>	<b>(22,620,771)</b>	<b>(15,416,619)</b>	<b>158,420,226</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Contract liabilities, non-current		-	120,494,418	-	120,494,418
Employees' defined benefit obligations	6.5.1	12,898,848	-	5,238,152	18,137,000
<b>Total non-current liabilities</b>		<b>12,898,848</b>	<b>120,494,418</b>	<b>5,238,152</b>	<b>138,631,418</b>
<b>Current liabilities</b>					
Short-term loans		179,103,504	-	-	179,103,504
Trade and other liabilities	6.5.5	142,220,385	(74,239,971)	132,581,894	200,562,308
Accrued expenses and other liabilities	6.5.5	136,667,924	-	(136,667,924)	-
Contract liabilities	6.5.5	-	62,642,628	3,989,808	66,632,436
Dividends payable		33,000,000	-	-	33,000,000
Zakat payable		6,473,166	-	-	6,473,166
<b>Total current liabilities</b>		<b>497,464,979</b>	<b>(11,597,343)</b>	<b>(96,222)</b>	<b>485,771,414</b>
<b>Total liabilities</b>		<b>510,363,827</b>	<b>108,897,075</b>	<b>5,141,930</b>	<b>624,402,832</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>706,821,443</b>	<b>86,276,304</b>	<b>(10,274,689)</b>	<b>782,823,058</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)

6.4 Reconciliation of statement of comprehensive income for the year ended 31 December 2017

	Note	As previously reported (SOCPA GAAP) SR	Correction of prior year errors (note 31) SR	Adjustments/ Re- classifications SR	Balance as per IFRSs as endorsed in KSA SR
Revenue from contracts		842,800,143	(91,823,798)	-	750,976,345
Direct costs	6.5.1	(704,470,154)	76,778,052	(4,016,271)	(631,708,373)
<b>Gross profit</b>		<b>138,329,989</b>	<b>(15,045,746)</b>	<b>(4,016,271)</b>	<b>119,267,972</b>
Selling and marketing expenses		(11,799,725)	-	-	(11,799,725)
General and administration expenses	6.5.3	(32,046,920)	-	536,784	(31,510,136)
Provision for doubtful debts	6.5.3	-	-	(5,009,421)	(5,009,421)
<b>Income from main operations</b>		<b>94,483,344</b>	<b>(15,045,746)</b>	<b>(8,488,908)</b>	<b>70,948,690</b>
Share in losses of associates, net		(524,885)	-	-	(524,885)
Finance costs	6.5.2	(12,261,665)	-	(3,395,724)	(15,657,389)
Finance income	6.5.2	-	-	1,743,335	1,743,335
Other income		1,584,704	-	-	1,584,704
<b>Income before zakat</b>		<b>83,281,498</b>	<b>(15,045,746)</b>	<b>(10,141,297)</b>	<b>58,094,455</b>
Zakat		(6,473,166)	-	-	(6,473,166)
<b>Net income for the year</b>		<b>76,808,332</b>	<b>(15,045,746)</b>	<b>(10,141,297)</b>	<b>51,621,289</b>
<b>Other comprehensive income</b>					
<i>Item that will not be reclassified to profit or loss:</i>					
Re-measurements of employees' defined benefit obligations	6.5.1	-	-	4,380,000	4,380,000
<b>Total comprehensive income for the year</b>		<b>76,808,332</b>	<b>(15,045,746)</b>	<b>(5,761,297)</b>	<b>56,001,289</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)

6.5 Explanation of significant transitional adjustments and reclassifications

6.5.1 Actuarial valuation of employees' benefits

Under IFRSs as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Company has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates. The impacts on the financial statements were as follows:

	1 January 2017 SR	31 December 2017 SR
<i>Statement of financial position line items</i>		
Increase in employees' defined benefit obligations	(5,601,881)	(5,238,152)
Decrease in retained earnings	5,601,881	9,618,152
Increase in other reserves	-	(4,380,000)
		2017 SR
<i>Statement of comprehensive income line items</i>		
Increase in direct costs		4,016,271
Increase in re-measurements of employees' defined benefit obligations		(4,380,000)

6.5.2 Discounting of long-term trade receivables

Under the previous GAAP, the Company's long-term trade receivables with more than one year maturity are all presented under current assets in the statement of financial position. Under IFRSs as endorsed in KSA, these long-term assets should be presented as non-current assets and accordingly, should be discounted to presented value. The impacts on the financial statements were as follows:

	1 January 2017 SR	31 December 2017 SR
<i>Statement of financial position line items</i>		
Increase in trade receivables, non-current	24,505,626	38,449,164
Decrease in trade receivables and other assets	(26,758,565)	(41,126,817)
Decrease in retained earnings	4,053,441	5,705,830
Decrease in contract assets	(1,800,502)	(3,028,177)
		2017 SR
<i>Statement of comprehensive income line items</i>		
Increase in finance costs		3,395,724
Increase in finance income		(1,743,335)

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)**

**6.5 Explanation of significant transitional adjustments and reclassifications (continued)**

**6.5.3 Financial instruments**

The following set out the impacts of adopting IFRS 9 in the financial statements of the Company pertaining to the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECL model including reclassification of previous impairment of trade receivables and contract assets charged in general and administration expenses separately in the statement of comprehensive income:

	<i>1 January</i> <i>2017</i>	<i>31 December</i> <i>2017</i>
<i>Statement of financial position line items</i>	<i>SR</i>	<i>SR</i>
Decrease in retained earnings	-	4,472,637
Decrease in contract assets	-	(2,803,480)
Decrease in trade receivables and other assets	-	(1,669,157)
		<i>2017</i>
<i>Statement of comprehensive income line items</i>		<i>SR</i>
Increase in provision for doubtful debts		5,009,421
Decrease in general and administration expenses		(536,784)

Under IFRS 9, available for sale investments were transferred to investments at FVOCI. The Company has classified its investments as FVOCI as these contractual cash flows are limited to principal and interest only. The Company has exercised irrevocable option to classify these at FVOCI. The impacts on the financial statements were as follows:

	<i>1 January</i> <i>2017</i>	<i>31 December</i> <i>2017</i>
<i>Statement of financial position line items</i>	<i>SR</i>	<i>SR</i>
Increase in investments at FVOCI	43,850	1,185
Decrease in available for sale investments	(43,850)	(1,185)

**6.5.4 Revenue from contracts with customers**

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. Below are the reclassifications from unbilled receivable to contract assets due to this change:

	<i>1 January</i> <i>2017</i>	<i>31 December</i> <i>2017</i>
<i>Statement of financial position line items</i>	<i>SR</i>	<i>SR</i>
Increase in contract assets	144,843,994	253,047,651
Decrease in unbilled receivables	(144,843,994)	(253,047,651)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

6. FIRST TIME ADOPTION OF IFRSs AS ENDORSED IN KSA (continued)

6.5 Explanation of significant transitional adjustments and reclassifications (continued)

6.5.5 Reclassification adjustments

There have been a reclassification of various accounts in order to comply with IAS 1, Presentation of Financial Statements. Adjustments include the reclassification of revaluation reserve for investments at FVOCI to other reserves. In addition, certain of the prior year amounts have been reclassified to conform with the presentation in the current year including reclassification of prepayments and other receivables to trade receivables and other assets, reclassification of accrued expenses and other liabilities and amounts due from an associate to trade and other liabilities. The impact on the financial statements was as follows:

	1 January 2017 SR	31 December 2017 SR
<i>Statement of financial position line items</i>		
Increase trade receivables and other assets	16,729,346	15,735,965
Decrease in prepayments and other receivables	(16,719,735)	(15,044,994)
Decrease in accrued expenses and other liabilities	98,727,996	136,667,924
Increase in trade and other liabilities	(97,950,414)	(132,678,116)
Increase in contract liabilities	-	(3,989,808)
Decrease in amounts due from an associate	(787,193)	(787,193)
Increase in other reserves	216	-
Decrease in revaluation reserve for investments at FVOCI	(216)	-

6.6 Effect on the statement of cash flows

The transition from SOCPA GAAP to IFRSs as endorsed in KSA and adoption of IFRS 15 and 9 had no significant impact on the statement of cash flows for the year ended 31 December 2017.

7. REVENUE FROM CONTRACTS

Disaggregation of revenue

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

	2018 SR	2017 (Restated – note 31) SR
<i>Type of goods or services</i>		
Sale of computer hardware	239,293,580	175,393,228
Sale of software licenses	221,381,762	252,459,561
Sale of maintenance services	220,023,488	168,394,078
Supply of manpower	107,854,505	86,694,021
Revenue from other services	97,597,388	68,035,457
Total	886,150,723	750,976,345

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

**7. REVENUE FROM CONTRACTS (continued)**

	2018	2017 (Restated – note 31)
	SR	SR
<b><i>Timing of revenue recognition</i></b>		
<b><i>At a point in time</i></b>		
Sale of computer hardware	239,293,580	175,393,228
Sale of software licenses	221,381,762	252,459,561
	<b>460,675,342</b>	<b>427,852,789</b>
<b><i>Over the period of time</i></b>		
Sale of maintenance services	220,023,488	168,394,078
Supply of manpower	107,854,505	86,694,021
Revenue from other services	97,597,388	68,035,457
	<b>425,475,381</b>	<b>323,123,556</b>
Total	<b>886,150,723</b>	<b>750,976,345</b>

	2018	2017 (Restated – note 31)
	SR	SR
<b><i>Type of customers</i></b>		
Government	513,510,196	336,199,223
Private	245,871,530	310,557,191
Semi-government	126,768,997	104,219,931
Total	<b>886,150,723</b>	<b>750,976,345</b>

**8. SELLING AND MARKETING EXPENSES**

	2018	2017
	SR	SR
Employees' costs	7,662,398	7,499,367
Advertising and sales promotion	2,057,996	4,300,358
Total	<b>9,720,394</b>	<b>11,799,725</b>

**9. GENERAL AND ADMINISTRATION EXPENSES**

	2018	2017
	SR	SR
Employees' costs	26,863,368	22,737,995
Operating lease costs (note 29)	2,064,782	2,481,043
Professional fees	1,916,580	1,225,300
Office supplies	1,072,105	728,045
Withholding tax expense	720,615	1,035,584
Travel expenses	512,727	309,209
Postage and communication	419,197	322,088
Depreciation (note 13)	384,939	339,948
Amortization (note 14)	340,991	307,119
Others	2,906,658	2,023,805
	<b>37,201,962</b>	<b>31,510,136</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 December 2018**

**10. FINANCE COSTS**

	<i>2018</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>
Finance costs on short-term loans	<b>14,122,570</b>	10,222,179
Finance costs on trade receivables - non-current	<b>3,096,267</b>	3,395,724
Finance costs on letters of credit and guarantee	<b>2,119,505</b>	1,673,174
Others	<b>181,987</b>	366,312
	<b>19,520,329</b>	<b>15,657,389</b>

**11. ZAKAT**

***Charge for the year***

The zakat charge of the year consists of the current year provision amounting to SR 5,830,700 (31 December 2017: SR 6,473,166) and is based on the following:

	<i>31 December</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>
Shareholders' equity, beginning	<b>158,420,226</b>	153,560,634
Opening provisions and other adjustments	<b>15,815,382</b>	57,408,336
Book value of long term assets	<b>(11,350,788)</b>	(10,136,785)
	<b>162,884,820</b>	200,832,185
Zakatable income for the year	<b>70,343,180</b>	58,094,455
Zakat base	<b>233,228,000</b>	<b>258,926,640</b>

Some of these amounts as reported above have been adjusted in arriving at the zakat charge for the year.

***Movements in zakat provision during the year***

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

	<i>2018</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>
Balance at 1 January	<b>6,473,166</b>	7,034,777
Charged for the year	<b>5,830,700</b>	6,473,166
Paid during the year	<b>(6,473,166)</b>	(5,321,318)
Reclassification	<b>-</b>	(1,713,459)
<b>Balance at 31 December</b>	<b>5,830,700</b>	<b>6,473,166</b>

***Status of assessments***

During 2018, the Company has approached GAZT under the Alternative Dispute Resolution initiative (recently introduced by GAZT) to agree and settle the withholding tax assessment for the years 2008 to 2016.

Accordingly, the Company has finalized its zakat and withholding tax assessment with the GAZT up to year 2016 and obtained the final zakat and withholding tax certificate. The Company has filed the zakat return for the year 2017 and withholding tax returns for the years 2017 and 2018, which are still under review by GAZT.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**12. 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.

	<i>2018</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>
Income from main operations for the year	<b>85,887,709</b>	70,948,690
Net income for the year	<b>64,512,480</b>	51,621,289
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (note 20)	<b>16,000,000</b>	16,000,000
Basic and diluted earnings per share of income from main operations for the year	<b>5.37</b>	4.43
Basic and diluted earnings per share of net income for the year	<b>4.03</b>	3.23

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

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**13. PROPERTY AND EQUIPMENT**

	<i>Land</i>	<i>Equipment</i>	<i>Motor</i>	<i>Furniture</i>	<i>Capital work in</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>vehicles</i>	<i>and fixtures</i>	<i>progress</i>	<i>SR</i>
<i>Cost</i>						
As at 31 December 2017	8,122,900	10,303,260	1,166,787	1,831,376	-	21,424,323
Additions	-	253,770	-	490	795,805	1,050,065
Disposals	-	(7,449)	-	-	-	(7,449)
As at 31 December 2018	8,122,900	10,549,581	1,166,787	1,831,866	795,805	22,466,939
<i>Accumulated depreciation</i>						
As at 31 December 2017	-	9,629,557	1,072,754	1,620,575	-	12,322,886
Charged for the year (note 9)	-	263,648	19,400	101,891	-	384,939
Relating to disposals	-	(2,705)	-	-	-	(2,705)
As at 31 December 2018	-	9,890,500	1,092,154	1,722,466	-	12,705,120
<i>Net book value</i>						
As at 31 December 2018	8,122,900	659,081	74,633	109,400	795,805	9,761,819
As at 31 December 2017	8,122,900	673,703	94,033	210,801	-	9,101,437

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

13. PROPERTY AND EQUIPMENT (continued)

	Land SR	Equipment SR	Motor vehicles SR	Furniture and fixtures SR	Total SR
<i>Cost</i>					
As at 1 January 2017	-	9,999,719	1,144,559	1,804,181	12,948,459
Additions	8,122,900	303,541	97,000	27,195	8,550,636
Disposals	-	-	(74,772)	-	(74,772)
As at 31 December 2017	8,122,900	10,303,260	1,166,787	1,831,376	21,424,323
<i>Accumulated depreciation</i>					
As at 1 January 2017	-	9,371,355	1,144,549	1,541,805	12,057,709
Charged for the year (note 9)	-	258,202	2,976	78,770	339,948
Relating to disposals	-	-	(74,771)	-	(74,771)
As at 31 December 2017	-	9,629,557	1,072,754	1,620,575	12,322,886
<i>Net book value</i>					
As at 31 December 2017	8,122,900	673,703	94,033	210,801	9,101,437
As at 1 January 2017	-	628,364	10	262,376	890,750

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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14. INTANGIBLE ASSETS

	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<b>Cost</b>				
As at 31 December 2017	712,471	4,532,387	2,178,153	7,423,011
Additions	-	-	894,612	894,612
As at 31 December 2018	712,471	4,532,387	3,072,765	8,317,623
<b>Amortization</b>				
As at 31 December 2017	712,468	4,532,387	1,142,808	6,387,663
Amortization (note 9)	3	-	340,988	340,991
As at 31 December 2018	712,471	4,532,387	1,483,796	6,728,654
<b>Net book value</b>				
As at 31 December 2018	-	-	1,588,969	1,588,969
As at 31 December 2017	3	-	1,035,345	1,035,348
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<b>Cost</b>				
As at 1 January 2017	712,471	4,532,387	1,600,891	6,845,749
Additions	-	-	577,262	577,262
As at 31 December 2017	712,471	4,532,387	2,178,153	7,423,011
<b>Amortization</b>				
As at 1 January 2017	712,468	4,532,387	835,689	6,080,544
Amortization (note 9)	-	-	307,119	307,119
As at 31 December 2017	712,468	4,532,387	1,142,808	6,387,663
<b>Net book value</b>				
As at 31 December 2017	3	-	1,035,345	1,035,348
As at 1 January 2017	3	-	765,202	765,205

15. INVESTMENTS AT FVOCI

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Investments at FVOCI	1,218	1,185	43,850

During 2017, the Company disposed its investments at FVOCI with a cost of SR 42,449 and unrealized gain on revaluation amounting to SR 216 (note 21).

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**16. INVESTMENT IN ASSOCIATES**

The Company has investments in below associates:

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

All of the above investments are accounted for using the equity method of accounting.

The movement in investment in associates was as follows:

	<i>Edarat Telecommunication and Information Technology Company SAL SR</i>	<i>Edarat Telecommunication and Information Technology Company SR</i>	<i>Phoenicia Tech Worldwide Inc. - BVI SR</i>	<i>Total SR</i>
As at 1 January 2017	224,723	1,081,237	1,279,508	2,585,468
Share in earnings (losses) for the year	567	(37,849)	(487,603)	(524,885)
As at 31 December 2017	225,290	1,043,388	791,905	2,060,583
Share in earnings (losses) for the year	5,481	501,449	(748,737)	(241,807)
<b>As at 31 December 2018</b>	<b>230,771</b>	<b>1,544,837</b>	<b>43,168</b>	<b>1,818,776</b>

The following table illustrates the summarized aggregated financial information of Company's associates. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Company's share of those amounts as of 31 December 2018 and 2017.

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Current assets	10,542,878	13,630,621
Non-current assets	1,093,540	1,170,489
Current liabilities	5,841,483	3,562,920
Non-current liabilities	2,157,382	7,117,024
	<b>2018 SR</b>	<b>2017 SR</b>
Sales	24,947,496	22,281,912
Cost of sales	(20,101,901)	(18,471,507)
<b>Gross profit</b>	<b>4,845,595</b>	<b>3,810,405</b>
General and administration expenses	(5,146,871)	(4,525,275)
Finance costs	(108,221)	(80,505)
Other expenses	(158,696)	(262,300)
Other income	84,580	7,905
<b>Net loss</b>	<b>(483,613)</b>	<b>(1,049,770)</b>

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**17. TRADE RECEIVABLES AND OTHER ASSETS**

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>	<b>1 January 2017 SR</b>
Trade receivables	<b>381,234,798</b>	367,787,877	329,022,897
Less: Provision for doubtful debts	<b>(3,018,429)</b>	(2,205,941)	(5,730,111)
	<b>378,216,369</b>	365,581,936	323,292,786
Less: Non-current	<b>(28,997,083)</b>	(38,449,164)	(24,505,626)
Trade receivables, current	<b>349,219,286</b>	327,132,772	298,787,160
Margin on letters of credit and guarantee	<b>13,738,848</b>	8,663,778	8,913,124
Advances to suppliers	<b>6,880,167</b>	2,759,031	4,244,347
Prepaid expenses	<b>1,486,520</b>	1,757,496	1,954,070
Advances to employees	<b>618,791</b>	1,012,343	1,064,769
Amounts due from related parties (note 26)	<b>484,139</b>	690,971	9,611
Other receivables	<b>1,820,700</b>	1,646,504	1,277,578
Less: provision for impairment of advances to suppliers	<b>(794,153)</b>	(794,153)	(734,153)
	<b>373,454,298</b>	342,868,742	315,516,506

The average credit period on sales of goods and services is 120 days.

Trade receivable comprise of commission free net receivables due from customers with no credit rating. Unimpaired trade 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.

The aging analysis of un-impaired trade receivables is as follows:

	<b>Total SR</b>	<b>Neither past due nor impaired SR</b>	<b>Past due but not impaired</b>			
			<b>Below 6 months SR</b>	<b>6 months – 1 year SR</b>	<b>1– 2 years SR</b>	<b>Above 2 years SR</b>
<b>31 December 2018</b>	<b>378,216,369</b>	<b>274,966,829</b>	<b>42,825,597</b>	<b>35,476,481</b>	<b>12,531,034</b>	<b>12,416,428</b>
31 December 2017	365,581,936	276,897,231	37,292,835	23,630,194	6,202,095	21,559,581
1 January 2017	323,292,786	182,067,960	60,971,907	46,088,326	27,854,898	6,309,695

The movement of provision for doubtful debts on trade receivables was as follows:

	<b>2018 SR</b>	<b>2017 SR</b>
Balance at 1 January	<b>2,205,941</b>	5,730,111
Charged during the year	<b>812,488</b>	2,205,941
Written off during the year	-	(5,730,111)
<b>Balance at 31 December</b>	<b>3,018,429</b>	2,205,941

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**18. CONTRACT ASSETS AND LIABILITIES**

**Contract assets**

Contract assets primarily related to the Company's right to consideration for goods and services delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>	<b>1 January 2017 SR</b>
Contract assets	<b>305,894,969</b>	250,019,474	143,043,492
Less: Provision for doubtful debts	<b>(2,803,480)</b>	(2,803,480)	-
	<b>303,091,489</b>	247,215,994	143,043,492

The movement of provision for debts on contracts assets was as follows:

	<b>2018 SR</b>	<b>2017 SR</b>
Balance at 1 January	<b>2,803,480</b>	-
Charged during the year	-	2,803,480
<b>Balance at 31 December</b>	<b>2,803,480</b>	2,803,480

	<b>31 December 2018 SR</b>	<b>31 December 2017 (Restated – Note 31) SR</b>	<b>1 January 2017 (Restated – Note 31) SR</b>
<b>Contract liabilities</b>			
Contract liabilities	<b>176,939,799</b>	187,126,854	91,313,248
Less: Non-current	<b>(25,721,628)</b>	(120,494,418)	(26,037,256)
Contract liabilities, current	<b>151,218,171</b>	66,632,436	65,275,992

The contract liabilities primarily relate to the advance consideration received and amounts of consideration due from customers, for which revenue is recognized on satisfaction of performance obligations.

**19. CASH AND CASH EQUIVALENTS**

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>	<b>1 January 2017 SR</b>
Cash at banks	<b>106,365,312</b>	55,814,301	47,986,661
Short-term deposits with original maturities of three-months or less	-	-	2,700,000
	<b>106,365,312</b>	55,814,301	50,686,661

**20. SHARE CAPITAL**

Capital is divided into 16,000,000 shares (31 December 2017: 5,000,000 shares and 1 January 2017: 5,000,000) of SR 10 each.

During 2018, the shareholders of the Company resolved to increase its capital to SR 160 million by transferring SR 85 million and SR 25 million 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 2018.

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**21. RESERVES**

***Statutory reserves***

In accordance with the Companies Law and the Company's By-Laws, the Company must transfer 10% of its income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. Accordingly, the Company transferred 10% of its income during the year. The reserve is not available for distribution.

***Other reserves***

Movement on other reserves is shown below:

	<i>Revaluation adjustment on investments at FVOCI SR</i>	<i>Cumulative actuarial gains SR</i>	<i>Total SR</i>
As at 1 January 2017	216	-	216
Disposal of investments at FVOCI (note 15)	(216)	-	(216)
Re-measurements of employees' defined benefit obligations (note 23)	-	4,380,000	4,380,000
As at 31 December 2017	-	4,380,000	4,380,000
Revaluation adjustment on equity investments at FVOCI (note 15)	33	-	33
Re-measurements of employees' defined benefit obligations (note 23)	-	5,655,642	5,655,642
<b>As at 31 December 2018</b>	<b>33</b>	<b>10,035,642</b>	<b>10,035,675</b>

**22. DIVIDENDS**

The Board of Directors in their meetings held on 18 Rabi Thani 1440H (corresponding to 25 December 2018) and 13 Shawwal 1439H (corresponding to 27 June 2018) approved the distribution of dividends of SR 1.2780 per share amounting to SR 20.4 million and SR 2.3105 per share amounting to SR 11.6 million, respectively. An amount of SR 53.17 million dividends was paid during 2018 (note 26). The Board of Directors will present it to the shareholders in the upcoming Annual General meeting.

The Board of Directors in their meetings held on 6 Shawwal 1438H (corresponding to 30 June 2017) and on 13 Rabi Thani 1439H (corresponding to 31 December 2017) approved the distribution of dividends of SR 0.8121 per share amounting to SR 4.06 million and SR 9.4162 per share amounting to SR 47.08 million, respectively, that was approved by Annual General meeting held on 3 June 2018. Dividend of SR 18.14 million were paid during 2017 (note 26).

**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Defined benefit obligation (DBO)	<b>14,334,505</b>	18,137,000	17,510,000

The Company grants end-of-service benefits ("benefit plan") to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the statement of financial position in respect of defined benefit end-of-service plan is the present value of the DBO at the reporting date.



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**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)**

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on 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 (equivalent to a duration of 5 years at 31 December 2018). In countries 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 the 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.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within re-measurements of employees' defined benefit obligations under OCI and cumulative actuarial gains in the statement of changes in shareholders' equity.

The following table represents the movement in the DBO for the year:

	<b>2018</b>	<b>2017</b>
	<b>SR</b>	<b>SR</b>
Balance at 1 January	18,137,000	17,510,000
Current service cost	4,026,584	6,010,000
Interest cost	815,593	718,000
<b>Amounts recognized in profit or loss</b>	<b>4,842,177</b>	<b>6,728,000</b>
Re-measurements:		
Change in demographic assumption	(1,554,041)	-
Change in financial assumption	(721,274)	-
Experience gains	(3,380,327)	(4,380,000)
<b>Amounts recognized in OCI (note 21)</b>	<b>(5,655,642)</b>	<b>(4,380,000)</b>
Benefits paid during the year	(2,989,030)	(1,721,000)
<b>Balance at 31 December</b>	<b>14,334,505</b>	<b>18,137,000</b>

**Significant actuarial assumptions**

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

	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
Discount rate	4.10%	4.50%	4.50%
Salary growth rate	5 % for full time employees and NIL for contractual employees	5.50%	5.50%
Withdrawal rate	5 % to 25%	5 % to 25%	5 % to 25%
Retirement age	55 to 60 years	60 years	60 years

**Sensitivity analysis**

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at 31 December 2018, while holding all other assumptions constant:

			<b>Impact on defined benefit obligation</b>	
	<b>Change in assumption</b>	<b>Base value SR</b>	<b>Increase in assumption SR</b>	<b>Decrease in assumption SR</b>
Discount rate	1%	14,334,505	13,509,884	15,270,230
Salary growth rate	1%	14,334,505	15,255,304	13,506,247
Withdrawal rate	20%	14,334,505	14,011,130	14,699,929

The average duration of the DBO at the end of the reporting period is 5 years (31 December 2017: 15.5 years and 1 January 2017: 15.5 years).

The Company expects to make contributions during the reporting period to the benefit plan amounting to SR 0.9 million (31 December 2017: SR 1 million; 1 January 2017: SR 1.07 million).

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**24. SHORT-TERM LOANS**

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

Breakdown of the short-term loans are as follows:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Murabaha facilities	<b>256,867,689</b>	49,108,119	65,013,296
Conventional facilities	<b>10,104,281</b>	129,995,385	97,169,541
	<b>266,971,970</b>	179,103,504	162,182,837

Movements in short-term loans are shown below:

	<i>2018 SR</i>	<i>2017 SR</i>
Balance at 1 January	<b>179,103,504</b>	162,182,837
Additions	<b>666,166,116</b>	450,951,317
Repayments	<b>(578,297,650)</b>	(434,030,650)
<b>Balance at 31 December</b>	<b>266,971,970</b>	179,103,504

During the year ended 31 December 2018, the Company did not comply with certain loan covenants and which could result in terminating facilities from the banks amounting to SR 235.99 million. However, the Company was able to obtain a waiver letter from the concerned banks in this regard.

**25. TRADE AND OTHER LIABILITIES**

	<i>31 December 2018 SR</i>	<i>31 December 2017 (Restated – note 31) SR</i>	<i>1 January 2017 (Restated – note 31) SR</i>
Trade payables	<b>178,462,898</b>	133,308,905	89,755,630
Amounts due to related parties (note 26)	<b>13,950,499</b>	8,815,258	1,690,659
Withholding tax payable	<b>13,263,791</b>	17,198,405	18,943,522
Accrued expenses	<b>9,116,727</b>	34,802,217	54,208,055
Value Added Tax (VAT), net	<b>5,204,382</b>	-	-
Accrued salaries and other employee costs	<b>4,365,016</b>	6,137,518	4,974,390
Other payables	<b>522,501</b>	300,005	385,337
	<b>224,885,814</b>	200,562,308	169,957,593

No commission is charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**26. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise of shareholders, key management personnel, directors and entities which are controlled directly or indirectly or influenced by these parties. In the normal course of business, the Company has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Company's management or its Board of Directors.

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**26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**Shareholders**

The following are the shareholders of the Company as of 31 December 2018, 31 December 2017 and 1 January 2017:

Name	Place of residence	Ownership %		
		31 December 2018	31 December 2017	1 January 2017
Mr. Ibrahim Abdullah Al Moammar	KSA	34.56%	34.56%	33.33%
Mr. Khalid Abdullah Al Moammar	KSA	31.56%	31.56%	30.33%
Mr. Abdullah Mohamed Al Moammar	KSA	4.40%	4.40%	4.40%
Mr. Fahad Mohamed Al Moammar	KSA	4.40%	4.40%	4.40%
Mr. Khalid Mohamed Al Moammar	KSA	4.40%	4.40%	4.40%
Mr. Abdulaziz Mohamed Al Moammar	KSA	4.40%	4.40%	4.40%
Mr. Mansour Mohamed Al Moammar	KSA	4.40%	4.40%	4.40%
Others	KSA	11.88%	11.88%	14.34%
		100%	100%	100%

**Key management personnel compensation**

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

	2018 SR	2017 SR
Salaries and short-term benefits	6,098,713	4,511,581
Employees' end-of-service benefits	243,095	293,814

**Terms and conditions of transactions with related parties**

Outstanding balances at the statement of financial position date are unsecured, commission free and settlement occurs in cash. The Company did not record any impairment of receivables relating to amounts owed by related parties.

**Related party transactions and balances**

During the year, the Company 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:

	2018 SR	2017 SR
Dividends paid to shareholders (note 22)	53,174,960	18,141,481
Purchases from related parties	18,335,938	4,603,488
Revenue from related parties	258,048	1,234,055
Operating lease income and other charges from related parties	210,473	317,098

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

Related party	Relationship	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<b>Amounts due from related parties (note 17):</b>				
Edarat Telecommunication and Information Technology Company	Associate	484,139	690,971	-
Esri Saudi Arabia Limited Company	Other related party	-	-	9,611
		484,139	690,971	9,611

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26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party</i>	<i>Relationship</i>	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
<b>Amounts due to related parties (note 25):</b>				
Esri Saudi Arabia Limited Company	Other related party	13,025,209	7,917,095	-
Electronic Maps Trading Company	Other related party	925,290	898,163	1,054,225
Edarat Telecommunication and Information Technology Company	Associate	-	-	636,434
		<b>13,950,499</b>	<b>8,815,258</b>	<b>1,690,659</b>

As at 31 December 2018, outstanding letters of guarantee issued by the Company on behalf of related parties amounting to SR 460,100 (31 December 2017: SR 460,100; 1 January 2017: SR 460,100) and are included as part of the Company's contingent liabilities (note 29).

As at 31 December 2018, outstanding dividends payable to the shareholders amounted to SR 11.8 million (31 December 2017: SR 33 million; 1 January 2017: SR Nil) (note 22).

27. FINANCIAL INSTRUMENTS

*Financial instruments by category*

Financial instruments have been categorized as follows:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
<b><i>Financial assets</i></b>			
Cash and cash equivalents	106,365,312	55,814,301	50,686,661
Trade receivables	378,216,369	365,581,936	323,292,786
Amounts due from related parties	484,139	690,971	9,611
Margin on letters of credit and guarantee	13,738,848	8,663,778	8,913,124
Investments at FVOCI	1,218	1,185	43,850
	<b>498,805,886</b>	<b>430,752,171</b>	<b>382,946,032</b>
<b><i>Financial liabilities</i></b>			
Trade payables	178,462,898	133,308,905	89,755,630
Short-term loans	266,971,970	179,103,504	162,182,837
Dividends payable	11,825,040	33,000,000	-
Amounts due to related parties	13,950,499	8,815,258	1,690,659
	<b>471,210,407</b>	<b>354,227,667</b>	<b>253,629,126</b>

***Fair value estimation of financial instruments***

The Company's financial assets and financial liabilities are measured at amortized cost except for measurement of investments at FVOCI. The Company has not disclosed the fair value of these financial instruments because their carrying amounts are a reasonable approximation of fair values largely because of short term maturity of these instruments.

The following table present the Company's financial instruments measured at fair value at 31 December 2018, 31 December 2017 and 1 January 2017:

	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<b>31 December 2018</b>				
Investments at FVOCI	1,218	-	-	1,218
<b>31 December 2017</b>				
Investments at FVOCI	1,185	-	-	1,185
<b>1 January 2017</b>				
Investments at FVOCI	43,850	-	-	43,850

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27. FINANCIAL INSTRUMENTS (continued)

*Classification of financial instruments on the date of initial application of IFRS 9*

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities at the transition date (1 January 2017) and as at 31 December 2017:

<u>31 December 2017</u>	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 SR</i>	<i>New carrying amount under IFRS 9 SR</i>
<i>Financial assets</i>				
Cash and cash equivalents	Loans and receivables	Amortized cost	55,814,301	55,814,301
Trade receivables (*)	Loans and receivables	Amortized cost	369,928,751	365,581,936
Margin on letters of credit and guarantee	Loans and receivables	Amortized cost	8,663,778	8,663,778
Investments at FVOCI	Available-for-sale investments	FVOCI	1,185	1,185
Amounts due from related parties	Loans and receivables	Amortized cost	690,971	690,971
Total			<u>435,098,986</u>	<u>430,752,171</u>
<i>Financial liabilities</i>				
Trade payables	Amortized cost	Amortized cost	133,308,905	133,308,905
Short-term loans	Amortized cost	Amortized cost	179,103,504	179,103,504
Dividends payable	Amortized cost	Amortized cost	33,000,000	33,000,000
Amounts due to related parties	Amortized cost	Amortized cost	8,815,258	8,815,258
Total			<u>354,227,667</u>	<u>354,227,667</u>
<u>1 January 2017</u>	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 SR</i>	<i>New carrying amount under IFRS 9 SR</i>
<i>Financial assets</i>				
Cash and cash equivalents	Loans and receivables	Amortized cost	50,686,661	50,686,661
Trade receivables (*)	Loans and receivables	Amortized cost	325,545,725	323,292,786
Margin on letters of credit and guarantee	Loans and receivables	Amortized cost	8,913,124	8,913,124
Investments at FVOCI	Available-for-sale investments	FVOCI	43,850	43,850
Amounts due from related parties	Loans and receivables	Amortized cost	9,611	9,611
Total			<u>385,198,971</u>	<u>382,946,032</u>
<i>Financial liabilities</i>				
Trade payables	Amortized cost	Amortized cost	89,755,630	89,755,630
Short-term loans	Amortized cost	Amortized cost	162,182,837	162,182,837
Amounts due to related parties	Amortized cost	Amortized cost	1,690,659	1,690,659
Total			<u>253,629,126</u>	<u>253,629,126</u>

(\*) The change in carrying amount is a result of a change in impairment allowance due to adoption of IFRS 9. See explanation on expected credit loss assessment for trade receivables below.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**28. FINANCIAL RISK AND CAPITAL MANAGEMENT**

The Company's principal financial instruments consist of cash and cash equivalents and trade receivables which are generated directly from operations. The Company has various other financial instruments such as investments at FVOCI, amounts due from related parties, margin on letters of credit and guarantee, trade payables, short-term loans, amounts due to related parties and dividends payable which are incurred to finance operations in the normal course of business.

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes commission rate risk and currency risk), liquidity risk, credit risk and equity price risk.

The Company's senior management is responsible for identifying and controlling risks. The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Company monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

**Market risk**

Market risk is the risk that changes in market prices, such as currency rates and commission rates that will affect the Company'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 Company 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.

**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 has no significant commission bearing assets, but has commission bearing liabilities at 31 December 2018, 31 December 2017 and 1 January 2017. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

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

	2018 SR	2017 SR
<b><i>Gain/(loss) through the statement of income</i></b>		
<b>Floating rate debt:</b>		
SIBOR +50bps	(706,031)	(431,168)
SIBOR -50bps	706,031	431,168

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**28. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

***Market risk (continued)***

**Commission rate risk (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.

***Credit risk***

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Company did not have any trade receivables at the reporting date which individually comprised more than 10% of the trade receivables balance. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

**Trade receivables**

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

**Amounts due from related parties**

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 26). The Company 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 Company evaluates the risk with respect to amounts due from related parties as low.

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

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

***Equity price risk***

The Company is exposed to equity price risks arising from its equity investments. At the end of the reporting period, most of the Company's equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments. At the reporting date, the exposure of the equity investments was SR 1,218 (31 December 2017: SR 1,185; 1 January 2017: SR 43,850). Sensitivity analysis on the change in market value is not disclosed due to immateriality of the amount.

***ECL assessment for trade receivables***

The Company 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 (i.e. normal distribution curve)
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation. The management believes that the Company 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

*Liquidity risk (continued)*

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

<i>Contractual maturities of financial liabilities</i>	<i>Commission rate %</i>	<i>Within three months SR</i>	<i>Four to six months SR</i>	<i>Over six months SR</i>	<i>Total SR</i>
<b><u>31 December 2018</u></b>					
Trade payables	Commission free	178,462,898	-	-	178,462,898
Short-term loans	Variable	215,045,909	51,926,061	-	266,971,970
Dividends payable	Commission free	11,825,040	-	-	11,825,040
Amounts due to related parties	Commission free	13,950,499	-	-	13,950,499
		<b>419,284,346</b>	<b>51,926,061</b>	-	<b>471,210,407</b>
<b><u>31 December 2017</u></b>					
Trade payables	Commission free	133,308,905	-	-	133,308,905
Short-term loans	Variable	143,913,061	35,190,443	-	179,103,504
Dividends payable	Commission free	33,000,000	-	-	33,000,000
Amounts due to related parties	Commission free	8,815,258	-	-	8,815,258
		<b>319,037,224</b>	<b>35,190,443</b>	-	<b>354,227,667</b>
<b><u>1 January 2017</u></b>					
Trade payables	Commission free	89,755,630	-	-	89,755,630
Short-term loans	Variable	137,240,158	24,942,679	-	162,182,837
Amounts due to related parties	Commission free	1,690,659	-	-	1,690,659
		<b>228,686,447</b>	<b>24,942,679</b>	-	<b>253,629,126</b>

*Capital management*

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company 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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt: short-term loans, trade and other liabilities less cash and cash equivalents.

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Short-term loans	266,971,970	179,103,504	162,182,837
Trade and other liabilities	224,885,814	200,562,308	169,957,593
Less: Cash and cash equivalents	(106,365,312)	(55,814,301)	(50,686,661)
Net debt	385,492,472	323,851,511	281,453,769
Shareholders' equity	196,588,381	158,420,226	153,560,634
Shareholders' equity and net debt	582,080,853	482,271,737	435,014,403
Gearing ratio	66%	67%	65%



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2018

**28. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

***Capital management (continued)***

In order to achieve this overall objective, the Company'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 Company did not comply with certain loan covenants during the year which could result in terminating facilities from the banks. However, the Company was able to obtain a waiver letter from the concerned banks in this regard. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018, 31 December 2017 and 1 January 2017.

**29. COMMITMENTS AND CONTINGENCIES**

***Operating lease commitments - Company as a lessee***

The Company incurred the following operating lease expense during the year:

	<b>2018</b>	<b>2017</b>
	<b>SR</b>	<b>SR</b>
Premises (note 9)	<b>2,064,782</b>	<b>2,481,043</b>

The Company had operating lease commitments of SR 310,500 at the reporting date (31 December 2017: SR 1,342,887; 1 January 2017: SR 1,511,000) which are all due within one year from the end of the reporting period.

***Contingent liabilities***

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

	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>
Letters of credit	<b>47,177,569</b>	15,967,314	26,035,643
Letters of guarantee	<b>146,872,671</b>	113,178,199	115,901,894
	<b>194,050,240</b>	129,145,513	141,937,537

**30. SEGMENT INFORMATION**

The Company operates solely in KSA and has no geographical segment. For management purposes, the Company 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.

***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 Unit 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").

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2018

**30. SEGMENT INFORMATION (continued)**

***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.

***Corporate***

The Corporate division is mainly involved in planning and execution of the overall objectives of the Company and synchronizes the functions 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 centralized basis and are accordingly disclosed as unallocated assets and liabilities.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

30. SEGMENT INFORMATION (continued)

The Company's revenue, direct cost and gross profit by business segments, are as follows. The Company manages the other expenses, assets and liabilities at corporate and accordingly are not allocated between business segments:

	<b>Business service management</b>	<b>Solutions</b>	<b>Systems</b>	<b>Information technology security</b>	<b>Networking</b>	<b>Operation and maintenance</b>	<b>Corporate</b>	<b>Total</b>
	<b>unit</b>	<b>unit</b>	<b>unit</b>	<b>unit</b>	<b>unit</b>	<b>unit</b>	<b>SR</b>	<b>SR</b>
<b>31 December 2018</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>		
Revenue from contracts	95,179,181	239,675,674	225,818,552	122,968,008	85,074,763	117,434,545	-	886,150,723
Direct costs	(59,571,730)	(214,500,267)	(197,188,509)	(107,192,111)	(72,026,799)	(102,048,754)	-	(752,528,170)
Gross profit	35,607,451	25,175,407	28,630,043	15,775,897	13,047,964	15,385,791	-	133,622,553
Selling and marketing expenses	-	-	-	-	-	-	(9,720,394)	(9,720,394)
General and administration expenses	-	-	-	-	-	-	(37,201,962)	(37,201,962)
Provision for doubtful debts	-	-	-	-	-	-	(812,488)	(812,488)
Share in losses of associates, net	-	-	-	-	-	-	(241,807)	(241,807)
Finance cost	-	-	-	-	-	-	(19,520,329)	(19,520,329)
Finance income	-	-	-	-	-	-	3,732,023	3,732,023
Other income	-	-	-	-	-	-	485,584	485,584
Income before zakat	35,607,451	25,175,407	28,630,043	15,775,897	13,047,964	15,385,791	(63,279,373)	70,343,180
Total assets	-	-	-	-	-	-	897,376,209	897,376,209
Total liabilities	-	-	-	-	-	-	700,787,828	700,787,828

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2018

30. SEGMENT INFORMATION (continued)

	Business service management unit SR	Solutions unit SR	Systems unit SR	Information technology security unit SR	Networking unit SR	Operation and maintenance unit SR	Corporate SR	Total SR
<i>31 December 2017</i>								
Revenue from contracts	123,467,596	327,344,019	70,329,951	59,769,986	86,725,172	83,339,621	-	750,976,345
Direct costs	(68,338,455)	(298,725,631)	(62,815,812)	(52,199,178)	(75,087,946)	(74,541,351)	-	(631,708,373)
Gross profit	55,129,141	28,618,388	7,514,139	7,570,808	11,637,226	8,798,270	-	119,267,972
Selling and marketing expenses	-	-	-	-	-	-	(11,799,725)	(11,799,725)
General and administration expenses	-	-	-	-	-	-	(31,510,136)	(31,510,136)
Provision for doubtful debts	-	-	-	-	-	-	(5,009,421)	(5,009,421)
Share in losses of associates, net	-	-	-	-	-	-	(524,885)	(524,885)
Finance cost	-	-	-	-	-	-	(15,657,389)	(15,657,389)
Finance income	-	-	-	-	-	-	1,743,335	1,743,335
Other income	-	-	-	-	-	-	1,584,704	1,584,704
Income before zakat	55,129,141	28,618,388	7,514,139	7,570,808	11,637,226	8,798,270	(61,173,517)	58,094,455
Total assets	-	-	-	-	-	-	782,823,058	782,823,058
Total liabilities	-	-	-	-	-	-	624,402,832	624,402,832

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2018**

**31. RECTIFICATIONS OF MISSTATEMENTS IN PRIOR FINANCIAL REPORTING**

During the current year, the management of the Company identified accounting errors resulting in material misstatements in the previous years' financial statements. The misstatements largely encompassed overstatement of revenue from contracts, direct costs and trade and other liabilities and understatement of deferred costs and contract liabilities which primarily pertains to error in revenue recognition. The misstatement pertains to certain revenue which was recognized at a point in time, whereas those revenue should have been recognized over the period of time, based on the duration of the customer contracts. The management was able to quantify the impact of the misstatements in the previous years' financial statements. Accordingly, the Company has rectified such misstatements and restated previous years' financial statements.

The following analysis reflects the restatements on the affected accounts as at 31 December 2017 and 2016:

	Deferred costs SR	Trade and other liabilities SR	Contract liabilities SR	Contract liabilities, non-current SR	Revenue from contracts SR	Direct costs SR	Net income SR	Retained earnings SR
Balance as at 31 December 2016, as previously reported (*)	-	92,223,871	-	-	654,023,543	555,560,760	36,083,705	95,790,765
Restatements - for 2016 and previous years	63,521,531	(20,216,692)	65,275,992	26,037,256	(91,313,248)	(83,738,223)	(7,575,025)	(7,575,025)
Restated balance as at 31 December 2016 (*)	63,521,531	72,007,179	65,275,992	26,037,256	562,710,295	471,822,537	28,508,680	88,215,740
Balance as at 31 December 2017, as previously reported (*)	-	142,220,385	-	-	842,800,143	704,470,154	76,808,332	121,457,616
Restatements - for 2017 and previous years	86,276,304	(74,239,971)	62,642,628	120,494,418	(91,823,798)	(76,778,052)	(15,045,746)	(22,620,771)
Restated balance as at 31 December 2017 (*)	86,276,304	67,980,414	62,642,628	120,494,418	750,976,345	627,692,102	61,762,586	98,836,845

(\*) These are the balances before the impact of the adoption of IFRSs as endorsed in KSA (note 6).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2018**

**32. EVENTS SUBSEQUENT TO THE REPORTING DATE**

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

**33. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on 15 Jumad Thani 1440H (corresponding to 20 February 2019).

**34. COMPARATIVE FIGURES**

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year (note 6).