

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
together with the  
**INDEPENDENT AUDITORS' REPORT**

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**

(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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## Independent auditors' report

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

### Opinion

We have audited the financial statements of Al Moammar Information Systems Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia 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.

### Key Audit Matters

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



## Independent auditors' report

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

Key Audit Matters (continued)	
Revenue recognition	
See Note 23 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The Company earns revenue from several activities, including sale of hardware and software, and the provision of maintenance and other services.</p> <p>During the year ended 31 December 2020, the Company recognised total revenue of SR 1,017 million (2019: SR 998 million)</p> <p>As required under IFRS 15 - Revenue from Contracts with Customers, the management identifies customer contracts relating to services provided, and for each type of contract identified, the management determines the performance obligations that exist under the contract and the transaction price which represents revenue expected to be earned under the contract. The revenue is then allocated to the performance obligations under the contract using observable market rates for each stand-alone service provided. Revenue is either recognised at a point in time or over point in time depending on assessment made in each case against the requirements of IFRS 15.</p> <p>We consider this as a key audit matter due to the multitude and variety of contractual terms, the different pricing elements and the risk of management override.</p> <p>Refer to financial statements note 5.2 for significant accounting policy relating to revenue recognition and note 23 for revenue related disclosures.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>– Assessed the design &amp; implementation and tested, (on a sample basis), the operating effectiveness of relevant controls in relation to revenue recognition;</li> <li>– Reviewed the revenue recognition policy applied by the Company to ensure compliance with IFRS 15 requirements.</li> <li>– Performed analytical procedures by comparing the expectations of the revenue with the actual revenue and analysed the variance;</li> <li>– In relation to the criteria utilised by the management to determine the appropriate level of revenue to be recognised we have, on a sample basis: <ul style="list-style-type: none"> <li>• Assessed the performance obligations identified to ensure consistency with the Terms and Conditions in the underlying contract;</li> <li>• Traced the transaction price to the underlying contract executed with customer;</li> <li>• Assessed whether the transaction price allocated to identified performance obligations is in line with IFRS 15</li> <li>• Assessed the timing of revenue recognition at a point in time or over period of time is as per the requirements of IFRS 15</li> </ul> </li> <li>– Assessed the adequacy of the relevant disclosures in the Company's financial statements.</li> </ul>



## Independent auditors' report

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

Key Audit Matters (continued)	
Impairment of trade receivables and contract assets	
See Notes 9 and 10 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, the Company gross trade receivables balance was SR 529 million (2019: SR 354 million) with impairment losses of SR 14.5 million (2019: SR 5.7 million)</p> <p>As at 31 December 2020, the Company gross contract assets balance was SR 367 million (2019: SR 436 million) with impairment losses of SR 6.8 million (2019: SR 7.7 million)</p> <p>The Company determines impairment of trade receivables and contract assets under expected credit loss model, where allowance for credit losses is computed based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to customers the Company deals with. It also considered credit risk rating and other related information for government and government - controlled entities.</p> <p>We identified allowance for credit losses as a key audit matter because of the significant judgement involved in calculating the expected credit losses. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimate of the expected credit losses.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>– Obtained an understanding of management's basis for the determination of allowance for credit losses for trade receivables and contract assets;</li> <li>– We performed procedures over 1) the methodology for the allowance for credit losses, including consideration of the current and estimated future economic conditions, 2) computation of the allowance for credit losses, and 3) completeness and accuracy of information used in the estimation of probability of default, and</li> <li>– We evaluated the incorporation of the applicable assumptions into the estimate of expected credit losses and tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company.</li> <li>– We evaluated the qualitative adjustment, including assessing the basis for the adjustments and the reasonableness of the significant assumptions.</li> <li>– Involved our specialist to review the methodology used in ECL model, including those used to calculate the likelihood of default and the subsequent loss on default. We also assessed the reasonableness of forward-looking factors used by the Company by corroborating with publicly available information.</li> <li>– Assessed the adequacy of the relevant disclosures in the Company's financial statements.</li> </ul>



## Independent auditors' report

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

### Other matter

The financial statements of Al Moammar Information Systems Company as at and for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2020.

### Other Information

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

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

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

When we read the annual report once it is made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

### Responsibilities of Management and the Board of Directors for the Financial Statements

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

The Company's Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



## Independent auditors' report

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

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, then we are required to draw attention in our auditors' 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 auditors' 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 of Al Moammar Information Systems Company ("the Company").

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

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

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

**Fahad Mubark Aldossari**  
License No. 469




Riyadh on: 23 February 2021  
Corresponding to: 11 Rajab 1442H




**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2020

	Note	31 December 2020 SR	31 December 2019 SR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	37,353,304	20,539,413
Intangible assets	7	2,089,690	2,036,721
Equity-accounted investees	8	4,919,342	2,651,976
Contract assets	9	24,120,402	22,749,002
Trade receivables	10	618,345	1,976,522
<b>Total non-current assets</b>		<b>69,101,083</b>	<b>49,953,634</b>
<b>Current assets</b>			
Contract assets	9	336,072,012	405,172,103
Contract costs	9	110,815,191	82,825,763
Trade and other receivables	10	516,373,846	351,110,494
Prepayments and other assets	11	19,141,670	17,488,266
Cash and cash equivalents	12	81,408,907	29,361,283
<b>Total current assets</b>		<b>1,063,811,626</b>	<b>885,957,909</b>
<b>TOTAL ASSETS</b>		<b>1,132,912,709</b>	<b>935,911,543</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	13	200,000,000	160,000,000
Statutory reserve	14	9,037,604	14,049,229
Other reserves	15	7,442,580	7,585,400
Retained earnings		91,870,956	72,483,288
<b>Total shareholders' equity</b>		<b>308,351,140</b>	<b>254,117,917</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefits	17	20,123,942	15,915,311
Contract liabilities	18	33,277,882	24,677,276
Lease liabilities	19	647,565	917,453
<b>Total non-current liabilities</b>		<b>54,049,389</b>	<b>41,510,040</b>
<b>Current liabilities</b>			
Loans and borrowings	20	371,942,139	219,325,610
Trade and other payables	21	243,368,697	316,519,352
Other liabilities	22	7,136,576	3,826,114
Contract liabilities	18	139,750,551	93,001,552
Zakat payable	28	8,314,217	7,610,958
<b>Total current liabilities</b>		<b>770,512,180</b>	<b>640,283,586</b>
<b>Total liabilities</b>		<b>824,561,569</b>	<b>681,793,626</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,132,912,709</b>	<b>935,911,543</b>

  
Ibrahim Abdullah Al Moammar  
Vice Chairman, Board of Directors

  
Ziad Mortaja  
Chief Executive Officer

  
Karthik Ramaswamy Nagar  
Subramanian  
Chief Financial Officer

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






**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
Revenue	23	1,016,665,970	997,515,170
Cost of sales	24	(836,338,818)	(833,693,238)
<b>Gross profit</b>		<b>180,327,152</b>	<b>163,821,932</b>
General and administration expenses	25	(55,380,278)	(44,258,309)
Selling and marketing expenses	26	(9,617,212)	(11,782,844)
Impairment loss on trade receivables and contract assets	9,10	(7,931,472)	(7,581,286)
<b>Income from operations</b>		<b>107,398,190</b>	<b>100,199,493</b>
Other income		5,385,914	1,283,372
Share of profit of equity-accounted investees	8	2,267,366	833,200
Finance costs	27	(18,443,057)	(22,132,186)
Finance income		1,960,388	2,806,149
<b>Income before zakat</b>		<b>98,568,801</b>	<b>82,990,028</b>
Zakat	28	(8,192,758)	(7,010,217)
<b>Net income for the year</b>		<b>90,376,043</b>	<b>75,979,811</b>
<b>Other comprehensive loss</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements loss on employees' defined benefit obligations	17	(142,820)	(2,450,275)
<b>Other comprehensive loss</b>		<b>(142,820)</b>	<b>(2,450,275)</b>
<b>Total comprehensive income for the year</b>		<b>90,233,223</b>	<b>73,529,536</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share of net income for the year	29	4.52	3.80

  
Ibrahim Abdullah Al Moammar  
Vice Chairman, Board of  
Directors

  
Ziad Mortaja  
Chief Executive Officer

  
Karthik Ramaswamy Nagar  
Subramanian  
Chief Financial Officer



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

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**

(A Saudi Joint Stock Company)


**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020

	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Total shareholders' equity SR
Balance as at 1 January 2019	160,000,000	6,451,248	10,035,675	20,101,458	196,588,381
Net income for the year	-	-	-	75,979,811	75,979,811
Other comprehensive loss for the year (note 17)	-	-	(2,450,275)	-	(2,450,275)
Total comprehensive income for the year	-	-	(2,450,275)	75,979,811	73,529,536
Transfer to statutory reserve (note 14)	-	7,597,981	-	(7,597,981)	-
Dividends (note 16)	-	-	-	(16,000,000)	(16,000,000)
Balance as at 31 December 2019	160,000,000	14,049,229	7,585,400	72,483,288	254,117,917
At 31 December 2019	160,000,000	14,049,229	7,585,400	72,483,288	254,117,917
Net income for the year	-	-	-	90,376,043	90,376,043
Other comprehensive loss for the year	-	-	(142,820)	-	(142,820)
Total comprehensive income for the year	-	-	(142,820)	90,376,043	90,233,223
Dividends (note 16)	-	-	-	(36,000,000)	(36,000,000)
Transfer to share capital (note 13)	40,000,000	(14,049,229)	-	(25,950,771)	-
Transfer to statutory reserve (note 14)	-	9,037,604	-	(9,037,604)	-
Balance as at 31 December 2020	200,000,000	9,037,604	7,442,580	91,870,956	308,351,140

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

  
Ziad Mortaja  
**Chief Executive Officer**

  
Karthik Ramaswamy Nagar Subramanian  
**Chief Financial Officer**



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

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2020

		<b>31 December 2020 SR</b>	<b>31 December 2019 SR</b>
<b>Operating activities</b>			
Net income for the year		<b>90,376,043</b>	75,979,811
Adjustments for:			
Depreciation of property and equipment	6	774,308	693,935
Amortization of intangible assets	7	711,941	525,508
Share of profit of equity-accounted investee	8	(2,267,366)	(833,200)
Impairment loss on trade receivables and contract assets, net	9,10	7,931,472	7,581,286
Impairment loss on contract costs	9	1,100,000	-
Employee benefits	17	5,072,447	3,637,513
Finance costs	27	18,443,057	22,132,186
Finance income		(1,960,388)	(2,806,149)
Gain on sale of property and equipment		(72,173)	-
Zakat expense		8,192,758	7,010,217
		<b>128,302,099</b>	<b>113,921,107</b>
<i>Changes in working capital:</i>			
Contract assets		68,652,485	(129,747,157)
Contract costs		(29,089,428)	(10,528,518)
Trade and other receivables		(172,760,441)	22,800,870
Prepayments and other assets		(1,653,403)	6,412,702
Trade and other payables		(73,150,655)	110,101,711
Other liabilities		3,310,462	(14,642,059)
Contract liabilities		55,349,605	(59,260,971)
<b>Net cash (used in)/generated from operations</b>		<b>(21,039,276)</b>	<b>39,057,685</b>
Employee benefits paid	17	(1,006,636)	(4,506,982)
Zakat paid	28	(7,489,499)	(5,229,959)
<b>Net cash (used in)/generated from operating activities</b>		<b>(29,535,411)</b>	<b>29,320,744</b>
<b>Investing activities</b>			
Acquisition of property and equipment	6	(17,588,199)	(9,974,279)
Acquisition of intangible assets	7	(764,910)	(973,260)
Proceeds from disposal of property and equipment		72,173	-
<b>Net cash used in investing activities</b>		<b>(18,280,936)</b>	<b>(10,947,539)</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings	20	915,520,221	638,096,998
Repayment of loans and borrowings	20	(762,903,692)	(685,743,358)
Finance costs paid		(16,442,058)	(19,595,334)
Payment of lease liabilities			
- Principle		(256,804)	(244,354)
- Interest	19	(53,696)	(66,146)
Dividends paid		(36,000,000)	(27,825,040)
<b>Net cash generated from/(used in) financing activities</b>		<b>99,863,971</b>	<b>(95,377,234)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>52,047,624</b>	<b>(77,004,029)</b>
Cash and cash equivalents at the beginning of the year		29,361,283	106,365,312
<b>Cash and cash equivalents at the end of the year</b>	12	<b>81,408,907</b>	<b>29,361,283</b>

Ibrahim Abdullah  
Al Moammar

**Vice Chairman,  
Board of Directors**

Ziad Mortaja

**Chief Executive Officer**

Karthik Ramaswamy  
Nagar Subramanian

**Chief Financial Officer**

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



**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

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**1. CORPORATE INFORMATION**

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

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

Head Office and Central Region:

6330 Al Thumamah Rd - Al Sahafa Dist.

Unit No 1, 3296

Riyadh 13315, Kingdom of Saudi Arabia

The Company is registered in KSA with the following branches as at 31 December 2020:

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

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

These financial statements were approved by the Board of Directors on 23 February 2021 (corresponding to 11 Rajab 1442H).

**2. BASIS OF PRESENTATION**

**2.1 Statement of Compliance**

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

**2.2 Basis of measurement**

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

Certain comparative figures (refer note 9) in these financial statements have been reclassified and rearranged, wherever necessary, for better presentation and disclosure. The Company has not presented the third balance sheet column as at 1 January 2019 in the statement of financial position to reflect the impact of the reclassification because the management believes that presentation of such information does not materially effect the decision of users of these financial statements. The reclassification to the statement of financial position as at 1 January 2019 would not result in change in total assets, liabilities and equity as of that date.

**2.3 Functional and presentation currency**

These financial statements are presented in Saudi Riyal (“SR”) which is the functional currency of the Company.

**2.4 Going concern**

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

**AL MOAMMAR INFORMATION SYSTEMS COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

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**3. USE OF JUDGMENTS AND ESTIMATES**

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

***Judgements***

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

- Note 5.11: Classification of equity accounted investees; whether the Company has significant influence over an investee
- Note 5.8: Lease term; whether the company is reasonably certain to exercise extension options.

***Assumptions and estimation uncertainties***

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

- Note 5.7, 5.9, 5.10, 6 and 7: Impairment of non-financial assets, Intangibles assets and Property and equipment
- Note 5.6 and 31: Measurement of ECL allowance for trade receivables and contract assets: Key assumptions in determining the weighted-average loss rate
- Note 5.7 and 5.9: Useful lives and residual values of property & equipment and intangible assets.
- Note 5.14 and 17: Measurement of employee benefits obligations: Key actuarial assumptions.
- Note 5.4 and 28: Provision for Zakat

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

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant impact on the financial statements of the Company:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

A number of new pronouncements are effective for annual years beginning on or after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- COVID -19 related rent concessions (Amendment to IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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**5 SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1 Fair value measurement**

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

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

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

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

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

The 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. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities;  
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).  
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For assets and liabilities that are recognized in the financial statements at fair value 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 year. The Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Revenue recognition**

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. 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.

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.

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.

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. Revenue is recognised over time based on the input method. The stage of completion for determining the amount of revenue to recognize is assessed based on the cost incurred relative to the total expected cost input to the satisfaction of that performance obligation.

Contract costs

Contract costs are incurred in respect of long-term IT support contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered. Contract cost is recognized as an asset from costs to fulfil contracts. The Company amortizes these costs on a straight-line basis over the term each of the specific contract it relates to.

An impairment related to the contract costs is recognised in profit or loss to the extent that the carrying amount exceeds the remaining expected amount of consideration to be received in exchange for the goods or services to which the asset relates; less the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

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 goods or services that the entity has transferred to a customer. When that right is conditional on something other than the passage of time contract assets are tested for impairment under IFRS 9. 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.

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.



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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Revenue recognition (continued)**

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 (23) 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

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 year 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 year 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 year of time.

**5.3 Cost of sales and expenses**

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

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

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.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Zakat and Value Added Tax (VAT) (continued)**

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

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

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

**5.5 Cash and cash equivalents**

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

**5.6 Financial instruments**

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

Recognition and initial measurement

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

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

Financial assets

Classification of financial assets

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

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

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

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

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6 Financial instruments (continued)**

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.

*Subsequent measurement*

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

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

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

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

*Reclassifications*

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

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the 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.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6 Financial instruments (continued)**

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

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

Loss allowances are measured on either of the following bases:

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

**Measurement of ECLs**

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

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

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

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

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

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

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

*Presentation of impairment*

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6 Financial instruments (continued)**

The Company considers a financial asset in default when contractual payments are 1,080 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Write-off*

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

Financial liabilities

*Initial recognition and measurement*

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

Financial liabilities

Trade payables represent liabilities for goods and services provided to the 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 year. They are measured at amortized cost using the effective interest rate method.

*Derecognition*

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

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

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.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Property and equipment**

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

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

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

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

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

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

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

The 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.

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

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

**5.8 Leases**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.8 Leases (continued)**

**i. As a lessee**

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

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

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

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

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

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

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

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

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

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



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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.8 Leases (continued)**

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

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

**5.9 Intangible assets**

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

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

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

The Company estimates the useful lives of 5 years of its intangible assets.

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

**5.10 Impairment of non-financial assets**

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

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

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

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.11 Equity-accounted investees**

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.

Judgement is 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.

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. 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.

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

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

When the 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 in profit or loss.

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 profit or loss.

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 profit or loss.

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.12 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 Saudi Arabia, a distribution is authorized when it is approved by the shareholders. Interim dividends are recorded as and when declared and approved by the Board of Directors.

**5.13 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 not recognised for future operating losses.

**5.14 Employee benefits**

Short-term obligations

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

Employees' defined benefit obligations

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

The 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 year in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in profit or loss.

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.15 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 Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The 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. Refer note (32) for information related to each reportable segment.

**5.16 Finance income and cost**

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

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

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

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**6. PROPERTY AND EQUIPMENT**

	<b>Land SR</b>	<b>Building* SR</b>	<b>Equipment SR</b>	<b>Motor vehicles SR</b>	<b>Furniture and fixtures SR</b>	<b>Capital work in progress SR</b>	<b>Total SR</b>
<b>2020</b>							
<i>Cost</i>							
<b>As at 1-January-2020</b>	8,122,900	1,497,250	11,589,294	1,166,787	1,831,866	9,730,371	33,938,468
Additions	-	-	680,538	-	8,434	16,899,227	17,588,199
Transfers from capital work in progress**	-	19,595,260	734,665	-	2,590,157	(22,920,082)	-
Disposals	-	-	-	-	(1,831,866)	-	(1,831,866)
<b>As at 31-December-2020</b>	8,122,900	21,092,510	13,004,497	1,166,787	2,598,591	3,709,516	49,694,801
<i>Accumulated Depreciation</i>							
<b>As at 1-January-2020</b>	-	268,842	10,219,098	1,111,554	1,799,561	-	13,399,055
Charge for the year	-	268,842	452,622	19,400	33,444	-	774,308
Disposals	-	-	-	-	(1,831,866)	-	(1,831,866)
<b>As at 31-December-2020</b>	-	537,684	10,671,720	1,130,954	1,139	-	12,341,497
<i>Net book value</i>							
<b>As at 31-December-2020</b>	8,122,900	20,554,826	2,332,777	35,833	2,597,452	3,709,516	37,353,304

\*Property and equipment includes right-of-use assets at net book value of **SR 959,566** (2019: SR 1,228,408) related to leased office premises that do not meet the definition of investment property (Note 19).

\*\* This represents the new head office building which became available for use during December 2020

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

<u>2019</u>	<u>Land</u>	<u>Building*</u>	<u>Equipment</u>	<u>Motor</u>	<u>Furniture</u>	<u>Capital work in</u>	<u>Total</u>
Cost	SR	SR	SR	vehicles	and fixtures	progress	SR
As at 1-January-2019	8,122,900	1,497,250	10,549,581	1,166,787	1,831,866	795,805	23,964,189
Additions	-	-	1,039,713	-	-	8,934,566	9,974,279
As at 31-December-2019	8,122,900	1,497,250	11,589,294	1,166,787	1,831,866	9,730,371	33,938,468
<i>Accumulated Depreciation</i>							
As at 1-January-2019	-	-	9,890,500	1,092,154	1,722,466	-	12,705,120
Charge for the year	-	268,842	328,598	19,400	77,095	-	693,935
As at 31-December-2019	-	268,842	10,219,098	1,111,554	1,799,561	-	13,399,055
<i>Net book value</i>							
As at 31-December-2019	8,122,900	1,228,408	1,370,196	55,233	32,305	9,730,371	20,539,413

\*Property and equipment includes right-of-use assets at net book value of **SR 1,228,408** (2018: 1,497,250) related to leased office premises that do not meet the definition of investment property (Note 19).

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**7. INTANGIBLE ASSETS**

	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2020	712,471	4,532,387	4,046,025	9,290,883
Additions	-	-	764,910	764,910
<b>As at 31 December 2020</b>	<b>712,471</b>	<b>4,532,387</b>	<b>4,810,935</b>	<b>10,055,793</b>
<i>Amortization</i>				
As at 1 January 2020	712,471	4,532,387	2,009,304	7,254,162
Charge for the year	-	-	711,941	711,941
<b>As at 31 December 2020</b>	<b>712,471</b>	<b>4,532,387</b>	<b>2,721,245</b>	<b>7,966,103</b>
<i>Net book value</i>				
<b>As at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,089,690</b>	<b>2,089,690</b>
	<i>ERP software SR</i>	<i>Application development SR</i>	<i>Other software SR</i>	<i>Total SR</i>
<i>Cost</i>				
As at 1 January 2019	712,471	4,532,387	3,072,765	8,317,623
Additions	-	-	973,260	973,260
<b>As at 31 December 2019</b>	<b>712,471</b>	<b>4,532,387</b>	<b>4,046,025</b>	<b>9,290,883</b>
<i>Amortization</i>				
As at 1 January 2019	712,471	4,532,387	1,483,796	6,728,654
Charge for the year	-	-	525,508	525,508
<b>As at 31 December 2019</b>	<b>712,471</b>	<b>4,532,387</b>	<b>2,009,304</b>	<b>7,254,162</b>
<i>Net book value</i>				
<b>As at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>2,036,721</b>	<b>2,036,721</b>

**8. EQUITY-ACCOUNTED INVESTEEES**

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

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

The movement in investment in associates was as follows:

	<i>Edarat Group SAL</i>	<i>Edarat Telecommunication &amp; Information Technology Company</i>	<i>Phoenicia Tech Worldwide Inc. – BVI</i>	<i>Total</i>
	<i>In SAR</i>			
At 1 January 2019	230,771	1,544,837	43,168	1,818,776
Share (loss)/profit	(45,089)	648,772	229,517	833,200
At 31 December 2019	185,682	2,193,609	272,685	2,651,976
Share of (loss)/profit	(6,517)	2,274,577	(694)	2,267,366
<b>At 31 December 2020</b>	<b>179,165</b>	<b>4,468,186</b>	<b>271,991</b>	<b>4,919,342</b>



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

The following table summarises aggregated financial information of Company's associates. The information disclosed reflects the amounts presented in the financial statements of the associates as of 31 December 2020 and 2019.

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Current assets	<u>25,965,294</u>	15,942,824
Non-current assets	<u>3,378,094</u>	937,942
Current liabilities	<u>(19,159,170)</u>	(10,336,273)
Non-current liabilities	<u>(2,330,603)</u>	(2,232,847)
	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Revenue	<u>42,275,585</u>	32,587,085
Cost of sales	<u>(29,806,702)</u>	(21,012,595)
<b>Gross profit</b>	<u>12,468,883</u>	11,574,490
General and administration expenses	<u>(8,712,742)</u>	(10,127,148)
Finance costs	<u>(148,425)</u>	(222,343)
Other income	<u>1,013,486</u>	446,801
Zakat/tax and other expenses	<u>(86,471)</u>	(5,400)
	<u>4,534,731</u>	1,666,400

**9. CONTRACT ASSETS AND CONTRACT COSTS**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Unbilled receivables*	<u>366,989,642</u>	435,642,127
Less: Impairment loss on contract assets (Note 9.1)	<u>(6,797,228)</u>	(7,721,022)
	<u>360,192,414</u>	427,921,105
Contract costs (to fulfil the contracts with customers) **	<u>111,915,191</u>	82,825,763
Less: Impairment loss on contract costs***	<u>(1,100,000)</u>	-
	<u>110,815,191</u>	82,825,763

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

\*\* The Company has incurred costs in respect of long-term IT support contracts, which will generate resources that will be used in satisfying these contracts and are expected to be recovered. They were therefore recognised as an asset from costs to fulfil contracts. The asset is amortised on a straight-line basis over the term each of the specific contract it relates to.

\*\*\* Represents the amount doubtful of recovery and accordingly recognised as an expense in direct costs.

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Opening balance	<u>7,721,022</u>	2,803,480
(Reversed)/charged during the year	<u>(923,794)</u>	4,917,542
Closing Balance	<u>6,797,228</u>	7,721,022

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**9. CONTRACT ASSETS AND CONTRACT COSTS (CONTINUED)**

**9.2 Classification of contract assets and contract costs**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Unbilled receivables, non-current*	24,120,402	22,749,002
Unbilled receivables, current	336,072,012	405,172,103
	<u>360,192,414</u>	<u>427,921,105</u>
Contract costs (to fulfil the contracts with customers), current**	110,815,191	82,825,763

\* The comparative figures for 31 December 2019 have been adjusted on account of reclassification of an amount of SR 22,749,002 from current to non-current. Refer to Note 2.2

\*\* Contract costs (to fulfil the contracts with customers) were previously disclosed as deferred cost within the financial statements for the year ended 31 December 2019.

**10. TRADE AND OTHER RECEIVABLES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Trade receivables - external*	523,913,562	348,819,635
Less: Impairment loss on trade receivables	<u>(14,537,438)</u>	<u>(5,682,172)</u>
	509,376,124	343,137,463
Trade receivables - amounts due from related parties (note 30)	5,552,217	4,816,897
Other receivables - vendor rebates	2,063,850	5,132,656
	<u>516,992,191</u>	<u>353,087,016</u>

**Classification of trade receivable**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Trade receivables - non-current	618,345	1,976,522
Trade receivables and other assets - current	516,373,846	351,110,494
	<u>516,992,191</u>	<u>353,087,016</u>

\*Trade receivables includes SR 458,736,590 (31 December 2019: 268,745,583) due from government or government - controlled entities. In certain cases, the Company obtains collateral over receivables and vast majority are from the government or government - controlled entities.

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

	<i>Total SR</i>	<i>Not yet due SR</i>	<i>0-1 year SR</i>	<i>1-2 year SR</i>	<i>2- 3 years SR</i>	<i>Above 3 years SR</i>
31 Dec 2020	529,465,779	23,627,897	422,337,707	49,222,195	6,533,983	27,743,997
31 Dec 2019	353,636,532	34,449,946	263,639,719	20,992,482	19,883,554	14,670,831

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**10. TRADE RECEIVABLES (CONTINUED)**

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Opening balance	5,682,172	3,018,428
Charged during the year	8,855,266	2,663,744
Closing balance	<u>14,537,438</u>	<u>5,682,172</u>

**11. PREPAYMENTS AND OTHER ASSETS**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Margin on letters of credit and guarantee	14,761,743	12,380,985
Prepaid expenses	2,698,090	3,271,664
Advances to employees	650,623	1,697,327
Advances to supplier	1,825,367	932,443
	<u>19,935,823</u>	<u>18,282,419</u>
Provision on advances to supplier	(794,153)	(794,153)
	<u>19,141,670</u>	<u>17,488,266</u>

**12. CASH AND CASH EQUIVALENTS**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Cash at bank - current accounts	40,944,272	29,361,283
Cash at bank – deposits*	40,254,745	-
Cash in hand	209,890	-
	<u>81,408,907</u>	<u>29,361,283</u>

\*The average rate on bank deposits is 1% with an original maturity of 7 days.

**13. SHARE CAPITAL**

Capital is divided into 20,000,000 shares (31 December 2019: 16,000,000) of SR 10 each. The Board of Directors in their meeting held on 10 Jumada I 1441H (Corresponding to 5 January 2020) and the shareholders in their meeting dated 9 Shawwal 1441H (Corresponding to 1 June 2020) resolved to increase the Company's Share Capital to SR 200,000,000 through issuance of one (1) bonus share for every four (4) shares by transferring SR 25,950,771 and SR 14,049,229 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 2020.

**14. STATUTORY RESERVE**

In accordance with the Company regulation of KSA and the Company's By-Laws, the Company must transfer 10% of its net 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. During the year, the Company has transferred 10% of its income during the year amounting to SR 9,037,604 in statutory reserve. Further the Company has utilized the statutory reserve of SR 14,049,229 to issue the bonus shares.

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**15. OTHER RESERVES**

The nature of other reserves relate to remeasurement gain or losses on employees' defined benefit obligations, the amount recorded during the year amounting to SR 142,820 (2019: SR 2,450,275) and balance as at 31 December 2020 is SR 7,442,580 (2019: SR 7,585,400).

**16. DIVIDENDS**

The Board of Directors in their meeting held on 10 Jumada I 1441H (Corresponding to 5 January 2020) resolved to distribute dividends amounting to SR 1 per share aggregating to SR 16,000,000. The dividends paid on 27 January 2020 were ratified by the General Assembly on 27 Sha'aban 1441H (corresponding to 20 April 2020). Further, the Board of Directors in their meeting held on 14 Dhu Al-Qadah 1441H (Corresponding to 5 July 2020) resolved to distribute interim dividends amounting to SR 1 per share aggregating to SR 20,000,000 and was paid on 16 September 2020.

**17. EMPLOYEE BENEFITS**

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

At 31 December 2020, the weighted average duration of the defined benefit obligation was 7 years (2019: 7 years).

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Balance at 1 January	15,915,311	14,334,505
<b><i>Included in profit or loss</i></b>		
Current service cost	4,625,891	3,050,209
Interest cost	446,556	587,304
	5,072,447	3,637,513
<b><i>Included in OCI</i></b>		
Re-measurements:		
Change in demographic assumption	-	1,908
Change in financial assumption	373,598	1,400,915
Experience gains	(230,778)	1,047,452
	142,820	2,450,275
<b><i>Other</i></b>		
Benefit paid	(1,006,636)	(4,506,982)
<b>Balance at 31 December</b>	<b>20,123,942</b>	<b>15,915,311</b>

***Significant actuarial assumptions***

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Discount rate	1.60%	2.80%
Salary growth rate		
Full time employees	4%	5%
Contractual employees	0%	0%
Withdrawal rate	5% to 25%	5% to 25%
Retirement age	55 to 60 years	55 to 60 years

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**17. EMPLOYEE BENEFITS (CONTINUED)**

*Sensitivity analysis*

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

		<i>31 December</i> <i>2020</i> <i>SR</i>	<i>31 December</i> <i>2019</i> <i>SR</i>
Discount rate	1% increase	(1,347,166)	(1,102,249)
	1% decrease	1,548,277	1,259,295
Salary growth rate	1% increase	1,497,335	1,222,232
	1% decrease	(1,332,741)	(1,093,748)
Withdrawal rate	1% increase	(711,296)	(533,876)
	1% decrease	838,935	625,230

**18. CONTRACT LIABILITIES**

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

	<i>31 December</i> <i>2020</i> <i>SR</i>	<i>31 December</i> <i>2019</i> <i>SR</i>
Contract liabilities- non-current	33,277,882	24,677,276
Contract liabilities- current	139,750,551	93,001,552
	<u>173,028,433</u>	<u>117,678,828</u>

The amount of SR 82,012,695 included in contract liabilities at 31 December 2019 has been recognised as revenue in 2020 (2019: 145,148,575).

**19. LEASE LIABILITIES**

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

	<i>31 December</i> <i>2020</i> <i>SR</i>	<i>31 December</i> <i>2019</i> <i>SR</i>
As at 1 January 2019	1,174,257	1,418,611
Interest expense	53,696	66,146
Payments	(310,500)	(310,500)
	<u>917,453</u>	<u>1,174,257</u>

Lease liabilities as at year end are as follows:

	<i>31 December</i> <i>2020</i> <i>SR</i>	<i>31 December</i> <i>2019</i> <i>SR</i>
Lease liability- non-current portion	647,565	917,453
Lease liability -current-portion* (note 21)	269,888	256,804
	<u>917,453</u>	<u>1,174,257</u>

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

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**19. LEASE LIABILITIES (CONTINUED)**

**Right-of-use assets**

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
At 1 January	1,228,408	1,497,250
Depreciation charge for the year	(268,842)	(268,842)
	<u>959,566</u>	<u>1,228,408</u>

**Amounts recognised in profit or loss:**

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Depreciation (note 6)	268,842	268,842
Interest expense on lease liabilities	53,696	66,146
	<u>322,538</u>	<u>334,988</u>

**20. LOANS AND BORROWINGS**

The Company has obtained loans from various local commercial banks and other financial institutions to meet the working capital requirements. These loans are subject to certain financial covenants and are secured by promissory notes and assignment of certain contract proceeds and carry commission charges at prevailing market commission rates. Certain covenants breaches are noted as at 31 December 2020, during the year end the respective banks have issued the waivers on default of Covenants.

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Murabaha facilities	312,409,293	205,990,599
Conventional facilities	59,532,846	13,335,011
	<u>371,942,139</u>	<u>219,325,610</u>

Movements in loans and borrowings are shown below:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Opening balance	219,325,610	266,971,970
Additions during the year	915,520,221	638,096,998
Repayment made during the year	(762,903,692)	(685,743,358)
Closing balance	<u>371,942,139</u>	<u>219,325,610</u>

**21. TRADE AND OTHER PAYABLES**

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Trade payables	212,013,646	288,643,221
Amounts due to related parties (note 30)	22,542,670	18,103,386
Accrued salaries and other employee costs	5,865,047	7,200,568
Accrued expenses	2,248,474	1,613,647
Other payables	428,972	701,726
Lease liabilities, current	269,888	256,804
	<u>243,368,697</u>	<u>316,519,352</u>

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**22. OTHER LIABILITIES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Value added tax, net	5,171,749	2,693,205
Withholding tax payable	1,964,827	1,132,909
	<u>7,136,576</u>	<u>3,826,114</u>

**23. REVENUE**

The Company revenue is derived from contracts with customers:

**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:

<i>Timing of revenue recognition</i>	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Product transferred at a point in time	533,802,788	504,929,277
Services transferred overtime	482,863,182	492,585,893
	<u>1,016,665,970</u>	<u>997,515,170</u>

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<i>Type of customers</i>		
Government & government - controlled entities	822,401,052	830,825,950
Private	194,264,918	166,689,220
	<u>1,016,665,970</u>	<u>997,515,170</u>

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<i>Product or service</i>		
Equipment and hardware	298,317,156	228,969,002
Software licenses	235,485,632	275,960,276
Maintenance services	482,863,182	492,585,892
	<u>1,016,665,970</u>	<u>997,515,170</u>

**24. COST OF SALES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Equipment and software cost	449,224,761	418,374,077
Service and support cost	307,823,008	342,802,746
Project payroll	79,291,049	72,516,415
	<u>836,338,818</u>	<u>833,693,238</u>



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**25. GENERAL AND ADMINISTRATION EXPENSES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Employees' costs	45,084,086	33,346,886
Office supplies	1,745,284	1,537,249
Professional fees	1,663,071	1,652,194
Short term lease	1,142,987	1,266,576
Travel expenses	963,027	848,656
Depreciation on property and equipment (note 6)	774,308	693,935
Amortization on intangible assets (note 7)	711,941	525,508
Postage and communication	470,021	748,086
Others	2,825,553	3,639,219
	<u>55,380,278</u>	<u>44,258,309</u>

**26. SELLING AND MARKETING EXPENSES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Employees' cost	8,033,208	9,007,173
Advertising and sales promotion	1,584,004	2,775,671
	<u>9,617,212</u>	<u>11,782,844</u>

**27. FINANCE COSTS**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Finance costs on short-term loans	15,707,330	18,861,182
Finance costs on letters of credit and guarantee	1,702,807	1,999,276
Bank charges	666,894	468,538
Others	366,026	803,190
	<u>18,443,057</u>	<u>22,132,186</u>

**28. ZAKAT**

The Zakat charge of the year consist of current year provision amounting to SR 8,192,758 (2019:SR 7,010,217) and is based on the following:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Shareholders' equity, beginning	218,118,917	176,486,923
Opening provisions and other adjustments	29,227,481	41,165,297
Book value of long-term assets	<u>(41,636,604)</u>	<u>(24,120,971)</u>
Zakat base	205,709,794	193,531,249
Zakat prior to net adjusted profit	<u>5,424,118</u>	<u>4,646,276</u>
Income for the year	81,575,013	94,557,654
Zakat on adjusted net profit	<u>2,768,640</u>	<u>2,363,941</u>
	<u>8,192,758</u>	<u>7,010,217</u>

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**28. ZAKAT (CONTINUED)**

*Movements in zakat provision during the year*

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Balance at 1 January	7,610,958	5,830,700
Charged for the year	8,192,758	7,010,217
Paid during the year	(7,489,499)	(5,229,959)
	<u>8,314,217</u>	<u>7,610,958</u>

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 returns for the years 2017 to 2019 and withholding tax returns for the years 2017 to 2019, which are under review by GAZT.

**29. 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.

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

	<i>2020 SR</i>	<i>2019 SR</i>
Net income for the year	90,376,043	75,979,811
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	20,000,000	20,000,000
Basic and diluted earnings per share of net income for the year	4.52	3.80

The weighted average number of ordinary shares used as a denominator in calculating basic and diluted EPS for 31 December 2019 has been adjusted on account of the bonus share issue.

**30. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended 31 December 2020, 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:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<b>Transaction with shareholders</b>		
Dividends paid	36,000,000	27,825,040
<b>Transaction with Associate-</b>		
Edarat telecommunication and information technology company		
Revenue	2,622,529	915,088
Purchases	2,582,558	82,996,969
Operating income and other charges	-	209,659
<b>Transactions with entities having common shareholders</b>		
<b>Purchases</b>		
ESRI Saudi Arabia Limited Company	17,066,704	17,103,174
Emaar executives for information technology	14,160,812	629,690
Electronic maps trading company	1,312,946	2,900

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

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Salaries and short-term benefits	<b>10,855,316</b>	9,364,120
Employee benefits	<b>398,685</b>	358,000
	<b>11,254,001</b>	9,722,120

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<b>Due from related parties: (note 10)</b>		
Electronic maps trading company	<b>4,816,897</b>	4,816,897
Edarat telecommunication and information technology company	<b>735,320</b>	-
	<b>5,552,217</b>	4,816,897
<b>Due to related parties: (note 21)</b>		
ESRI Saudi Arabia Limited company	<b>16,108,788</b>	17,103,174
Emaar executives for information technology	<b>6,291,851</b>	629,690
Electronic maps trading company	<b>142,031</b>	2,990
Edarat telecommunication and information technology company	<b>-</b>	367,532
	<b>22,542,670</b>	18,103,386

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

**a. Accounting classification and fair values**

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

<u>As at 31 December 2020</u>	<i>Carrying amount SR</i>
<u>Financial assets not measured at fair value</u>	
Trade receivables, net	<b>509,376,124</b>
Amounts due from related parties (note 10)	<b>5,552,217</b>
Margin on letters of credit and guarantee (refer note 11)	<b>14,761,743</b>
Cash and cash equivalents	<b>81,408,907</b>
	<b>611,098,991</b>
<u>Financial liabilities not measured at fair value</u>	
Loans and borrowings	<b>371,942,139</b>
Amount due to related parties (note 21)	<b>22,542,670</b>
Trade payables	<b>212,013,646</b>
Lease liabilities	<b>917,453</b>
	<b>607,415,908</b>

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

**a. Accounting classification and fair values (continued)**

	<i>Carrying amount</i> <i>SR</i>
<u>As at 31 December 2019</u>	
<u>Financial assets not measured at fair value</u>	
Trade receivables, net	343,137,463
Amounts due from related parties (note 10)	4,816,897
Margin on letters of credit and guarantee (note 11)	12,380,985
Cash and cash equivalents	29,361,283
	<u>389,696,628</u>
<u>Financial liabilities not measured at fair value</u>	
Loans and borrowings	219,325,610
Amount due to related parties (note 21)	18,103,386
Trade payables	288,643,221
Lease liabilities	1,174,257
	<u>527,246,474</u>

**b. Financial risk and capital management**

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

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

**Risk management framework**

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

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

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

**i) Credit risk**

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

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

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

**i) Credit risk (continued)**

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

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

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

Credit risk from balances with banks and financial institutions is managed in accordance with the 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.

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

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

**Trade receivables and contract assets**

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

**Amounts due from related parties**

An impairment analysis is performed at each reporting date on an individual basis for all related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 30). 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 minimal.

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

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
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

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

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

**i) Credit risk (continued)**

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for trade receivables for private customers as at 31 December 2020.

	As at 31 December 2020			As at 31 December 2019		
	Weighted average loss rate	Gross carrying amount	Impairment allowance	Weighted average loss rate	Gross carrying amount	Impairment allowance
Current not due	2.30%	28,654,324	660,080	0%	39,997,929	-
0-1 year past due	5.02%	26,791,210	1,345,284	1.05%	36,871,495	388,536
1-2 year past due	25.70%	6,324,497	1,625,325	15.83%	739,781	117,097
2-3 year past due	66.97%	378,673	253,595	31.71%	3,427,540	1,086,826
Credit impaired	100%	8,054,695	8,054,786	100%	2,350,000	2,350,000
		<u>70,203,399</u>	<u>11,939,070</u>		<u>83,386,745</u>	<u>3,942,459</u>

Trade receivables from government and government - controlled entities is SR 458,736,590 (2019: 270,249,785) and allowance for credit loss is calculated using general approach SR 436,939 (2019: SR 1,739,713).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<b>31 December 2020</b>					
Grades 1-6: Low risk	A+ to A3	0.10%	458,736,590	436,939	2,161,429

The following table provides information about the exposure to credit risk and calculated ECLs using simplified approach for contract assets for private customers as at 31 December 2020.

	As at 31 December 2020			As at 31 December 2019		
	Weighted average loss rate	Gross carrying amount	Impairment allowance	Weighted average loss rate	Gross carrying amount	Impairment allowance
Current not due	0.23%	83,425,446	195,436	0.27%	72,975,323	197,034
0-1 year past due	1.54%	27,811,818	428,073	6.34%	37,758,277	2,427,488
1-2 year past due	5.37%	15,489,872	831,788	59.44%	4,509,077	2,680,035
>2 year past due	100%	362,855	362,855	86.54%	1,499,586	1,297,720
Credit impaired	100%	645,867	645,867	-	-	-
		<u>127,735,858</u>	<u>2,464,019</u>		<u>116,742,263</u>	<u>6,602,277</u>

Contract assets from government and government - controlled entities is SR 240,517,012 (2019: 318,899,864) and allowance for credit loss is calculated using general approach SR 234,350 (2019: SR 1,118,745).

	External credit rating	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
<b>31 December 2020</b>					
Grades 1-6: Low risk	A+ to A3	0.10%	240,517,012	234,350	3,908,907

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

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

**ii) 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.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company has no significant commission bearing assets, but has commission bearing liabilities at 31 December 2020 and 31 December 2019. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

**Sensitivity analysis for variable rate financial instruments**

The following table demonstrates the sensitivity of the 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:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<b>Floating rate</b>		
Increase by 50 base points	<b>758,199</b>	(1,096,628)
Decrease by 50 base points	<b>(758,199)</b>	1,096,628

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.

**iii) 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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**31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

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

*Exposure to liquidity risk*

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

<u>As on 31 December 2020</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Within 3 months</u>	<u>4 to 6 months</u>	<u>Over 6 months</u>
Loans and borrowings	371,942,139	377,702,767	221,154,275	93,740,203	62,808,289
Trade and other payables*	242,451,244	242,451,244	203,600,119	38,851,125	-
Other liability	7,136,576	7,136,576	7,136,576	-	-
Lease liabilities	917,453	1,174,500	-	155,250	1,019,250
	<u>622,447,412</u>	<u>628,465,087</u>	<u>431,890,970</u>	<u>132,746,578</u>	<u>63,827,539</u>

\* excluding lease liability as disclosed separately

*Exposure to liquidity risk*

<u>As on 31 December 2019</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Within 3 months</u>	<u>4 to 6 months</u>	<u>Over 6 months</u>
Loans and borrowings	219,325,610	221,491,451	103,183,763	65,168,950	53,138,738
Trade and other payables*	315,291,399	315,291,399	315,291,399	-	-
Other liability	3,826,114	3,826,114	3,826,114	-	-
Lease liabilities	1,174,257	1,309,500	-	155,250	1,154,250
	<u>539,617,380</u>	<u>541,918,464</u>	<u>422,301,276</u>	<u>65,324,200</u>	<u>54,292,988</u>

\* excluding lease liability as disclosed separately

**c. 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 board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company's target is to achieve a return on capital above 23%; in 2020 the return was 29% (2019: 29%). The weighted-average interest expense on interest-bearing borrowings was 3.7% (2019: 5.5%).

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



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

**c. Capital management (continued)**

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

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Loans and borrowings	<u>371,942,139</u>	219,325,610
Trade and other payables	<u>243,368,697</u>	316,519,352
Less: Cash and cash equivalents	<u>(81,408,907)</u>	(29,361,283)
Net Debt	<u>533,901,929</u>	506,483,679
Shareholders' equity	<u>308,351,140</u>	254,117,917
Shareholders' equity and net debt	<u>842,253,069</u>	760,601,596
Gearing ratio	<u>63%</u>	67%

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. However, the Company was able to obtain a waiver letter from the respective banks in this regard. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

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

***Networking Unit***

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

***Operation and Maintenance Unit***

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

***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.

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**32. SEGMENT INFORMATION (CONTINUED)**

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

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

	Segments					Corporate	Total
	<i>Business service management Unit</i>	<i>Solutions unit</i>	<i>Systems unit</i>	<i>Information technology security unit</i>	<i>Networking unit</i>	<i>Operation and maintenance unit</i>	
As at 31 December 2020							
Total assets	115,643,802	195,791,861	199,932,251	139,870,303	241,937,713	113,306,090	1,132,912,709
Total liabilities	40,316,317	209,265,342	188,835,235	119,547,070	177,929,253	85,106,587	824,561,569
For the year ended 31 December 2020							
Revenue							
<i>Timings of revenue</i>							
Sale of goods at point in time	37,377,747	98,400,853	109,461,552	79,451,581	193,247,261	15,863,794	533,802,788
Sale of services over year of time	20,074,342	118,749,886	80,612,311	44,517,001	97,720,510	121,189,132	482,863,182
<i>Type of customers</i>							
Government & government - controlled entities	31,548,999	179,280,923	168,490,696	104,530,597	201,520,088	137,029,749	822,401,052
Private	25,958,677	37,869,816	21,583,166	19,437,985	89,392,098	23,176	194,264,918
Income before zakat	9,631,199	8,349,609	7,352,531	7,645,565	49,419,628	13,902,902	98,568,801

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**32. SEGMENT INFORMATION (CONTINUED)**

	Segments							
	Business service management Unit	Solutions unit	Systems unit	Information technology security unit	Networking unit	Operation and maintenance unit	Corporate	Total
As at 31 December 2019								
Total assets	138,078,947	185,806,398	188,176,007	118,978,136	161,221,258	75,537,886	68,112,911	935,911,543
Total liabilities	39,299,500	186,588,981	205,982,699	123,272,595	66,442,679	52,741,097	7,466,075	681,793,626
Revenue								
Timings of revenue								
Sale of goods at point in time	49,185,882	149,812,285	128,051,536	79,593,343	74,976,714	23,309,517	-	504,929,277
Sale of services over year of time	34,765,132	133,615,721	120,129,351	57,307,844	42,967,745	103,800,100	-	492,585,893
Type of customers								
Government & government - controlled entities	47,104,613	240,689,232	234,899,275	111,464,035	70,097,782	126,571,013	-	830,825,950
Private	36,846,400	43,063,980	13,657,633	25,925,107	47,196,100	-	-	166,689,220
Income before zakat	11,493,407	17,310,518	14,281,036	12,396,821	10,894,708	15,780,338	833,200	82,990,028

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**33. COMMITMENTS AND CONTINGENT LIABILITIES**

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

	<i><b>31 December 2020 SR</b></i>	<i><b>31 December 2019 SR</b></i>
Capital commitments for property under construction	<u><b>4,418,377</b></u>	<u><b>17,239,201</b></u>
<i><b>Contingent liabilities</b></i>		
	<i><b>31 December 2020 SR</b></i>	<i><b>31 December 2019 SR</b></i>
Letters of credit	<b>43,653,588</b>	<b>81,494,368</b>
Letter of guarantees	<b>177,071,166</b>	<b>162,440,325</b>

**34. SUBSEQUENT EVENT**

On 4 January 2021 Corresponding to 20 Jummada I 1442H, the Board of Directors of the Company has resolved to distribute cash dividends amounting to SR 1.1 per share aggregating to SR 22 million.

Also, the Board of Directors of the Company has resolved to increase the Capital by Granting (1) bonus shares for every (4) shares by transferring from retained earnings and statutory reserve to share capital.

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